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THE ROUND TABLE

A QUARTERLY REVIEW OF THE
POLITICS OF THE BRITISH COMMONWEALTH

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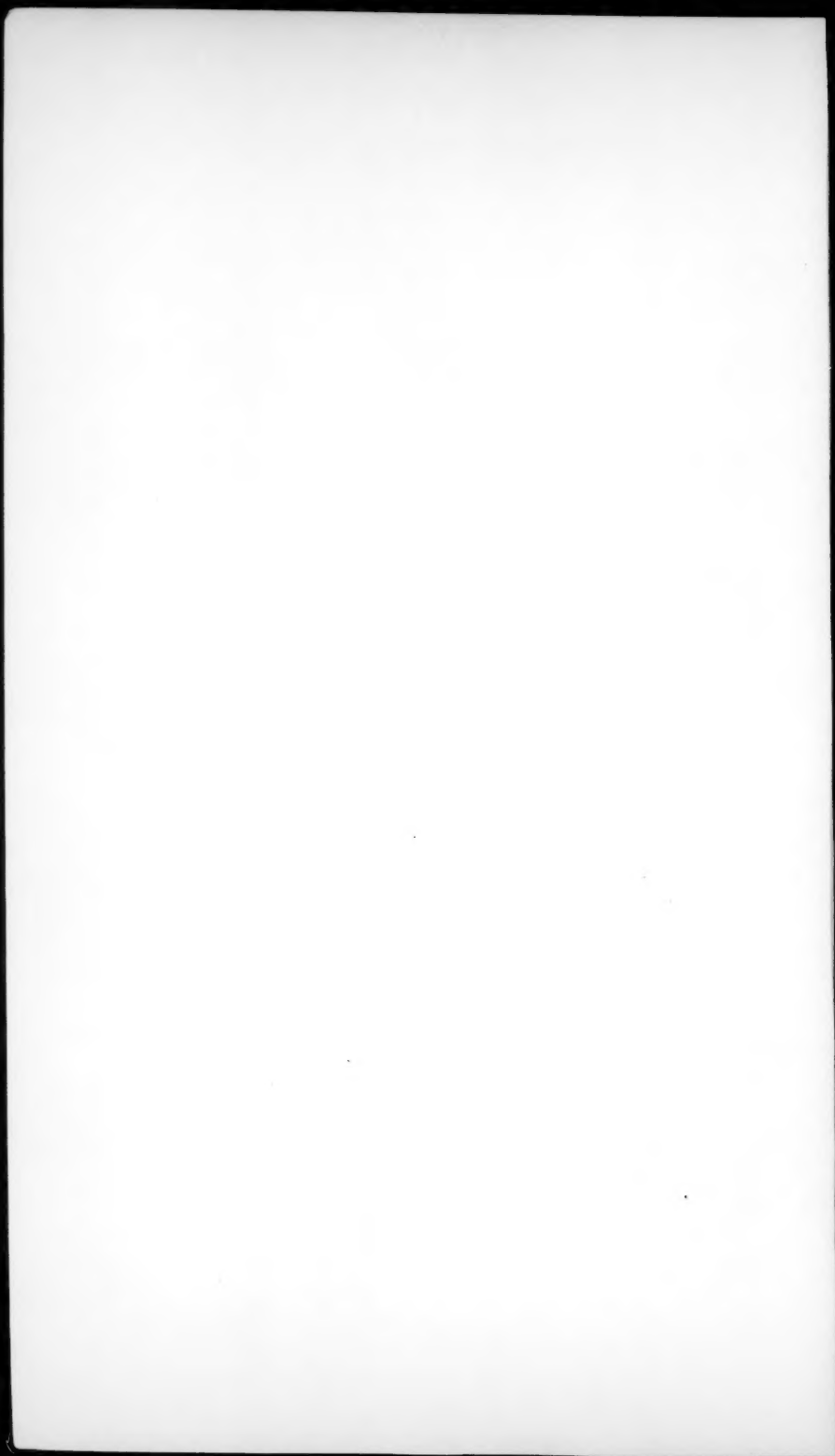
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NOTE

THE ROUND TABLE is a co-operative enterprise conducted by people who dwell in all parts of the British Commonwealth, and whose aim is to publish once a quarter a comprehensive review of Imperial politics, free from the bias of local party issues. The affairs of THE ROUND TABLE in each portion of the Commonwealth are in the hands of local residents who are responsible for all articles on the politics of their own country. It is hoped that in this way THE ROUND TABLE will reflect the current opinions of all parts about Imperial problems, and at the same time present a survey of them as a whole. While no article will be published in the interest of any political party, articles may from time to time be published explaining the standpoint of particular parties or sections of opinion. In such cases, however, the character of the article will be made clear by an introductory note.

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THE IMPERIAL CONFERENCE

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ANOTHER Imperial Conference has come to an end. There were actually two Conferences, each with a separate personnel. The Prime Ministers themselves were, strictly speaking, members of the Imperial Conference only. The importance attached to the economic issues under discussion was, however, so great that one or more of them were in constant attendance at the Economic Conference, which in consequence had to confine its sittings to days on which there was no meeting of the Imperial Conference. Such subjects as Imperial preference, moreover, have a political as well as an economic side, and came within the range of both Conferences. The Economic Conference might, indeed, almost have been described as the Imperial Conference sitting in committee on economic subjects.

In its composition the Conference had changed since 1921. In that year the chief delegates were the veteran Prime Ministers of the war and General Smuts, who had also been a member of the Imperial War Cabinet, though not himself a Prime Minister at that time. Of these only Mr. Massey and General Smuts were at the Conference this autumn. The greatest innovation, however, was the separate representation of the Irish Free State, which has become a Dominion since 1921. Some interesting consequences that are likely to follow this particular change were described in our last issue.* For one thing, the balance of population is profoundly affected. The population of the Mother Country used to exceed that of the Dominions by nearly thirty-one millions. Since Ireland, with the

* See THE ROUND TABLE, No. 52, pp. 799-804.

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exception of six northern counties, has been taken from the United Kingdom and added to the Dominions the excess is little over twenty-four millions.

We do not propose here either to describe or to comment on the proceedings of the Conferences. The European crisis, the most baffling of the questions requiring a decision, is discussed elsewhere,* while the constitutional question has already been dealt with in our last two numbers. This article is merely intended to introduce the official summary of the proceedings, which we hope to print as an appendix† if it should be available in time for publication. With any conclusions that have been arrived at we propose to deal in a future issue.

I

THE Conference which has just ended is the second regular one since the war. The representatives of the Empire sat continuously at Paris in 1919, as they had sat in London during the war, but their meetings were in both cases of an abnormal character and they dealt with emergencies of an exceptional kind. Neither this Conference nor the Imperial Conference of 1921 was a successor of the Imperial War Cabinet or of the British Empire delegation. They were a resumption of the regular sequence that had been interrupted by the war. The title, "Imperial Conference," itself indicates this. It has no pretensions to be an executive body, such as would be suggested by the term "Imperial Cabinet." Its habit has been, according to the Prime Minister of South Africa, even to avoid passing resolutions by a majority. Not that plain speaking is avoided in debate—the discussions on our cattle restrictions and wireless arrangements show that there is plenty of it—but the procedure of the Conference has, General Smuts claimed, always been by unanimity, and the famous resolution about the status of Indians which was passed

* See p. 13.

† See p. 205.

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in 1921, South Africa dissenting, was the only exception to that course.*

When the Imperial Conference met this autumn the problem that confronted it on the constitutional side was that of external relations. The efficacy of the existing system, which left their conduct to Whitehall, depended upon effective inter-Imperial consultation, and for that purpose, as was made clear in our last issue, no sufficient machinery at present exists. The need for the readjustment of inter-Imperial arrangements was recognised as early as 1917, when the Prime Ministers assembled in London resolved that a special Constitutional Conference should be held as soon as possible after the war. That Conference, as our readers will remember, has never been held, because in 1921 it was decided that no advantage could be gained by holding it, "having regard to the constitutional developments since 1917." Those developments have already been described in our pages. The representatives of the Dominions had not only been associated with British Cabinet Ministers on equal terms, first in the conduct of the war and later in the arrangement of the peace. Their new status had been recognised by the resolutions of the Imperial War Cabinet, the British Empire delegation, and the speeches of British statesmen.

It is interesting to trace one or two of the steps in this development. In 1917 it was placed on record by the assembled Prime Ministers

that any such readjustment (the reference was to the proposed constitutional conference) while thoroughly preserving all existing powers of self-government and complete control of domestic affairs should be based upon full recognition of the Dominions as autonomous nations of an Imperial Commonwealth and of India (it had just been decided that India should be represented at future Imperial Conferences) as an important portion of the same, should recognise the right of the Dominions and India to an adequate voice in foreign relations, and should provide effective arrangements for a continuous

* It is interesting to note that Canada saw no need for the permanent economic committee which the other delegates at the Economic Conference decided to constitute. Her representatives dissented from the resolution.

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consultation in all important matters of common Imperial concern and for such necessary concerted action as the several Governments may determine.

At Paris, in 1919, a further advance was made based, if a common belief is to be accepted, upon the theory which has since been invoked by General Smuts, that the Crown is the supreme executive Head both in the United Kingdom and the Dominions, but that it acts on the advice of different Ministries in different constituent units. Resolutions of Imperial Conferences and the utterances of British statesmen could, of course, only express internal recognition of the change in status. They did not bind foreigners. But wider recognition came at Paris. The great international treaty which embodied the terms of peace was signed in 1919 by the representatives of the Dominions as well as by those of Great Britain, though the former in each case signed only on behalf of their respective countries, while the British delegates signed for the British Empire. Lastly, the Dominions became members of the League of Nations.

It is not, then, surprising if in 1921 the Imperial Conference saw no need to attempt any precise definition of inter-Imperial relations. It was, no doubt, felt that more harm than good was likely to arise from any such attempt, and there was no desire for a more centralised system. Nothing less than a supreme crisis, such as the war or the peace conference, would commend an Imperial executive body to public opinion across the seas. There were, of course, obvious risks in leaving the position vague. It has never, however, been the British habit to meet such troubles in advance, and the constitutional question was shelved. The Imperial Conference in 1921 did not even fix a definite date for its next meeting, contenting itself with a resolution that the Prime Ministers of the United Kingdom and the Dominions and the representatives of India should aim at meeting annually "or at such longer intervals as may prove feasible."

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Since 1921 the atmosphere has changed. In that year nationalistic fervour was at its height in the Dominions, and in most of them more concern was expressed about maintaining intact their newly recognised rights than about their responsibility in the international domain or about keeping a unity of front towards the outside world. They were still content to leave the control of foreign affairs to Downing Street, provided that this duty was in future exercised, not as a right, but as a power left to it by the nations of the Commonwealth. It was a natural attitude. The Dominions, as has already been pointed out in these pages, were all absorbed in engrossing problems of internal development which the long interruption of the war had rendered more pressing than ever, and in some of them there were acute racial, social or political internal differences. It was in any case difficult at such a distance, and with the existing machinery, to realise what was going on in Europe. It seemed only the other day since their troops had returned from helping to redress the balance of the old world, and if people in the Dominions were inclined for a time to turn their backs on European affairs after helping to settle the German menace and to arrange peace at Paris, it is understandable. In 1921, moreover, the danger point had moved from Europe to the Pacific. Here again, anxiety was relieved not many months after the Imperial Conference adjourned, and largely as a result of its labours, by the Washington agreement. Trade depression still remained to show that all was not well, but it was long since the horizon of the British Empire had been so free from war clouds. The comparative immunity of Canada from danger of attack from outside did not stop her playing an heroic part in the war, and in 1921 her insight in the matter of the American-Japanese problem, based upon actual contact with American opinion, was of material value in assisting the British Empire to arrive at a sound conclusion. The proposal to send a Canadian Ambassador to Washington, moreover, showed the importance attached

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by her to international relations in her own continent. But ordinary foreign policy, outside the American continent, was a different matter. Some of her statesmen have been credited with a positive aversion to take any part in it. If there is such an attitude, it would be wrong simply to put it down to the desire of politicians to have Great Britain as a whipping boy in case of mishap in Europe or Asia. With the existing arrangements it would have been unfair to expect any Dominion willingly to accept such responsibility. An Australian pointed out the other day in a series of able articles* how defence had always suffered in his own Dominion, because "in the absence of effective means of consultation in the past, no Australian Minister has been able to say, as British Ministers have said frequently, that owing to the facts known to him he cannot remain responsible for the safety of the country if demands for economy are pressed." It is the same with foreign affairs. Responsibility with no adequate means of consultation would be a nightmare.

Last October the attitude had altered. For one thing there had been time to test the existing system. The clouds which in 1921 were little bigger than a man's hand had grown larger. The consequences that may be expected if the nations of the Commonwealth should pull different ways were more clearly realised, at all events in New Zealand and Australia, and the speeches of the Australian Prime Minister had helped to clear the air. Chanak, too, had shown that trouble in Asia or Europe may have serious results for all of us, whoever is to blame, and all are interested in staving it off. In Australia it was increasingly felt that the problem of the Pacific had not been finally solved at Washington, and there were doubts whether British statesmen were not too much preoccupied with Europe to pay proper attention to them. Then, as regards status, it was now obvious that internal and external

* The articles were signed "N." and appeared in *The Daily Telegraph*, Sydney, last August.

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recognition depended upon entirely different principles. The attitude adopted in America first towards their membership of the League and later in the matter of the halibut treaty had made that abundantly clear. The question of status had even a bearing on trade, for, in the event of a scheme of Imperial Preference being adopted, the Americans, on the ground that the Dominions are now practically independent nations, talked of claiming under their most-favoured-nation treaties any special advantages that the members of the British Commonwealth might decide to confer upon each other. It soon became evident that the next meeting of the Imperial Conference could not be long delayed. The question of our relations with the outside world had to be tackled.

So far we have referred to the constitutional and the political side. But there were also economic conditions which told in favour of an early meeting. Trade depression was affecting the Dominions as well as Great Britain. Then came Mr. Bonar Law's announcement at the last General Election that it was his intention to convene a special Imperial Economic Conference, and with it the revival of the hope that the principle of Preference would be more extensively applied.

In Australia the case for Imperial Preference was advocated in a series of powerful speeches by the new Prime Minister, who at the same time pointed out the necessity, in the field of foreign affairs, for inter-Imperial arrangements which would render effective consultation possible, and in that of defence for a more equitable distribution of burdens. In the matter of trade, the Canadian General Election of 1911 had brought home to the British people the nature of the dilemma which forced the people of Canada to choose between closer trade relations with the Mother Country and with the United States. Mr. Bruce made it equally clear that, though his countrymen would far prefer to extend their markets in Great Britain, they would be forced to look elsewhere unless something was

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soon done to stimulate trade with her. He further pointed out that the prospect of British immigration was inseparably bound up with this question, for without extended markets the new-comers could not make a livelihood. Australia was as anxious to continue to draw her immigrants from the Mother Country as the latter was to find room inside the Empire for her surplus population; but he was emphatic that facts such as these could not be disregarded.

The strongest pressure in favour of holding an immediate Conference came, indeed, on this occasion from the Dominions. Mr. Bruce telegraphed to the Secretary of State for the Colonies early in the year that his Government regarded it as of imperative importance that a Conference should be held on naval defence, foreign policy, and Empire trade as soon as possible. Nevertheless, it looked in the early spring as if a Conference this year might prove impossible, for the simple reason that in most of the Dominions domestic politics were likely to prevent their Prime Ministers from getting away. Mr. Massey, indeed, advised Whitehall, we believe, that he could not attend any Conference in London this year. During the summer, however, these difficulties fortunately diminished, and on March 23 it was publicly announced that the Imperial Conference would be held in October.

II

IN the last section the change of attitude since 1921 has been described. The difference, however, was not merely psychological. The actual situation which faced the 1923 Conference was also different from that of 1921. In one immensely important respect the change was for the better. Thanks to the settlement in the Pacific and to the new status of Ireland, our relations with America, as her Ambassador reminded us the other day, are on an infinitely better basis than they were in 1921. The funding of the

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debt removed another obstacle in the way of friendship, and the willingness of the Imperial Conference to meet the proposal of the American Government that the territorial limit should be treated as if it were twelve instead of three miles, to enable it to deal with bootlegging, will tell further in the same direction. In Europe, again, the League of Nations' experiment in Austria has hitherto succeeded, and there is at last peace with Turkey. In other respects the scene was, however, immeasurably darker. It was President Wilson's hope that the war would make the world safe for democracy. Since the 1921 Conference met an epidemic of revolution has successively overthrown constitutional government in Greece, Italy, Bulgaria and Spain. Returned travellers from Russia have lately given a less gloomy account of the economic conditions there, but she is still under a tyranny more extreme than that of the Czars. We fought the war to a finish to ensure the fall of the old reactionary system in Germany and the substitution of democracy. It was universally and rightly felt that otherwise a lasting peace would be impossible. Thanks to French policy, democracy in Germany is, at the moment these words are written, like a candle flame in the wind. Force in the Ruhr has been followed by force in Corfu. One of the great Powers has openly flouted the League of Nations. More is being spent by Europe on armaments at the moment than before the war. Before these words reach the reader, Germany may be once again a mere geographical expression, a collection of weak and independent states, as she was in the time of Napoleon, and France for the time being the only great Power that counts north of the Alps.

Such was the situation that faced the Conference in Europe. Here in England, it must have been hard for the delegates to picture it. They found our people disturbed at the outlook, fully aware of the disastrous effect upon their prospects that the policy which was driving Germany to collapse was having, but reasonable, able to look at the

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situation from other standpoints than their own, and to make allowances. Above all, they found us as bent upon peace as their countrymen beyond the seas. But across the Channel they would have found war psychology still in existence in a great part of Europe, and in calculating the effect that any particular measure would have this fact had to be taken into account by the Conference. Another fact, also a hard one to realise, when the might of the British Empire four years ago is remembered. Though still stronger than any European country at sea, on land and in the air we are weak. There is no comparison to-day between the strength of our Army and our Air Force and those of France.

When the Conference assembled in October it found the reparations problem, after four years of international conference, compromise, notes, interviews and communiqués apparently as far from a settlement as ever. Three British Prime Ministers had tried to get one and failed. Would the Conference do better, was the question on everyone's lips? This time the problem was not a sudden crisis, like Chanak, but a relentless drama of which the Dominion Prime Ministers had during the last few weeks themselves witnessed the latest scenes. The facts were known. There were strong hopes. Detachment at times supplies an insight which actual contact does not give. An observer in a position to judge, the American Ambassador, considered the way in which the councils of the Empire were broadened and invigorated "by the admission of these loyal sons from afar" a heartening sign. He noticed "a disposition to grapple problems promptly with energy and determination, as in new countries." Anyhow, it was felt that the Conference would bring the fresh air of which our last issue spoke into the corridors of Downing Street. And the effect has not been confined to Downing Street. General Smuts' speeches helped to revive the idealism which inspired us in the war. We have described the change of attitude in the Dominions. The

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extent to which our own has been changed by the events of the last few years may be gathered from his words :—

About five years ago (he said) the victorious nations gathered at Paris to make their peace. In the writing of the Peace Treaty they made very grave mistakes, but in the end they did lay down the basis of a new world-order. To-day the exaltation had gone, the moral idealism had disappeared before hard, cynical realism. Vilna, the Ruhr, Corfu, stood written in flaming letters across the skies of their hopes and ideals for the future.

In this new world-order General Smuts still sees the best hope of the world. Like him, the delegates of the other Dominions have reaffirmed their loyalty to the League, a loyalty which in no sense weakens their loyalty to the British system, which they regard, moreover, as the bulwark of the League. Continental alliances or pacts of the old kind would, as has already been pointed out in these pages, undoubtedly endanger the solidarity of the British Commonwealth, and a broad and simple foreign policy is essential for a world-wide system. The League also means entanglement, and recent events have brought home to people what its obligations entail. It may be that the Covenant will be subjected to further amendment. One from Canada was passed at the last meeting of the Assembly—but if the Dominions accept this particular entanglement they do so because in it, or rather in what may spring from it—General Smuts himself compares the League to a child whose strength must not be taxed—are centred their hopes of the future.

There is another thing that gave this Conference a character of its own. In the main issues both on the economic and on the political side the lead has come from the Dominions. There was no room this time for suspicion that Whitehall was dominating the rest. In pre-war Conferences it was the custom for the British Foreign Minister to set the policy the British Government favoured before the Dominion delegates for their approval. This time it was no simple endorsement that was sought, but counsel.

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Consultation has other uses than to bring the Empire into line on international matters, and the maintenance of the unity of the Imperial front. On this occasion our own extremity was the measure of its value. The British people, remembering how two years ago the united wisdom of the whole Commonwealth averted another world peril, the menace in the Pacific, and tired of our fruitless effort to mend a sick world, looked to this Imperial Conference not for concurrence, but for a policy.

THE PROBLEM OF EUROPE

IN a weary and disillusioned world political thought is apt to be reactionary rather than constructive. The present revolt against any feeling or policy that can be brought within the vituperative designation of "internationalism" is in keeping with that mood. We are reminded that charity begins at home, that there are no interests worth considering except our own interests. The League of Nations becomes an entanglement, Corfu is merely a name on the map, the fate of Germany and her sixty million people is no concern of ours. Let France be our example; France cherishes no illusions, pursues no foolish ideals. If the economists of the world are ranged against M. Poincaré, it is because their cold and calculating minds are inhuman in their workings; if the financiers oppose him, they are thinking only of the sordid gains to be got from their international operations.

Yet the mere fact that the operations of finance and commerce are international ought to awaken the suspicion that no nation can confine its thoughts and its interests within the narrow bounds of its own frontiers. From the American continent, from Australasia, from Japan and from tropical Africa the threads stretch back to Europe. Here in Europe is still the focus of the world's economic life. Here is the first home and here still is the most fruitful nursery of the arts and sciences on which Western civilisation is founded. From the dense populations of Europe the still unsettled tracts of the world will mainly be peopled. Whether as a school, as a human reservoir, or as a market Europe remains indispensable both to the old countries and the new which are outside it.

The Problem of Europe

At this moment, when its fate concerns the whole world, Europe is facing dangers to which there has been no parallel in modern times. The history of Europe is not a record of undisturbed progress in civilisation. It is rather the tale of one civilisation rising from the ashes of another. If in the last four centuries there has been any marked tendency it has pointed towards stability and permanence. In that period Europe, it is true, has been swept at intervals by war, and its peoples have perished in thousands by fire and sword and the famine that followed in their train. But even the greatest of these upheavals, the struggles of the revolutionary and Napoleonic era, profound as were the changes in the social and political structure of Europe to which it gave rise, left no such disastrous burden and opened up no such perilous prospect as the last war. European society a century ago was a simpler and less delicate economic mechanism, and we can now see that the rapid material development of the last hundred years has produced a civilisation in many respects more vulnerable than that which preceded it. But this is not all. Human relations between combatants were never so embittered as they have been in recent years ; a general spirit of moderation and peace survived the fiercest of our earlier wars. And so it comes about that at a time when the world is crying out for the pacification of Europe, the will amongst the nations to live in peace with one another is weakened and the conditions are absent in which that will could become effective. It has become a grave question whether one more type of European civilisation is to be submerged beneath a wave not of barbarism but of stupidity and lawlessness.

In such a crisis it may be of use to attempt to set out its distinguishing features, to diagnose the dangers with which Europe is confronted, to consider what share of responsibility rests with the British Commonwealth for their existence, and what contribution the Commonwealth can make to their removal. To do this is at the worst a pious duty

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to the age in which we live, an age as remarkable for the splendour of its achievements as for the folly which imperils them.

I. THE PRESENT STATE OF EUROPE

SOMETIMES it is the war, sometimes it is the Treaty of Versailles which is blamed for the condition of Europe to-day, but in one sense the two factors are indistinguishable. The war was wasteful both of life and wealth, it destroyed the political fabric of great empires, it sowed the seeds of an almost universal financial disorder, above all it produced a mentality of its own. That mentality, in the conditions brought about by the war, did much to determine the main lines of the Treaty of Versailles. It is not difficult to sustain the argument that the peace delegates in Paris fell below the height of their responsibilities and opportunities, that in the end they gave to the world a worse peace even than the world deserved. But it would be idle to pretend that they were in the full sense free agents. In any analysis of the main features of the Europe established by the peace treaties, it is necessary to regard the war and the treaties as belonging to the same set of continuous and often inseparable factors.

If from that standpoint we turn to look at post-war Europe, we find that it has certain easily recognisable characteristics. Nationalism has been exalted to the dignity of a universal religion, and in its defence the armies of Europe can boast, on a peace footing, of one and a half million men more than in 1913. The spirit of nationalism is insatiable: no sooner has it made political boundaries coterminous with those of race than it is driven by a restless fever to absorb alien peoples. It infects present minorities with a yearning not so much to be free as to become themselves the oppressors. Peaceful co-operation between men of different races within the same State—

The Problem of Europe

perhaps the highest achievement of humanity in its political life—is not even sought as an ideal, but is rejected as an absurdity.

The new frontiers have not only given free scope to the extravagances of nationalism ; they have profoundly changed the economic structure of Europe. Customs barriers are multiplied ; industries pass out of the hands of those who built them up ; transport systems lose half their meaning when, as in the case of Vienna, the centre of the Austro-Hungarian Empire becomes merely the capital of an almost unrecognisable Austria. In time Europe will no doubt adapt itself to many of these changes, but up to now they have added another obstacle to the recovery of an impoverished world.

The forms of political life have been even more completely revised than the economic. The old autocracies were swept away by the war which was to “make the world safe for democracy.” Within four years Europe seems reconciled to the belief that it is safe only for the mailed fist. Not merely in the new democracies but in many of the old, democratic government has proved unequal to the great tasks of the age. The parliamentary system is not indigenous to the Continent, and against the logical fallacy of democratic theory, which assumes that all men are equal, there is no protection except in settled traditions and in the slow growth of experience and of a sense of responsibility. Continental democracy has scored since the war only one important success. It has effectively obstructed the application of the principles of sound public finance, and it seems likely to perish from the completeness of its own triumph.

The paralysis of democracy and the extinction of reason and the humane feelings have been hastened by the amazing transformation of the popular Press. When Governments during the war so lightly grasped the strange weapon of “propaganda,” they little realised that it was a two-edged sword. They were, in fact, training at the

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public expense a new generation of journalists in the arts of suppression and distortion of news. For the reader atmosphere was needed, a series of impressions fleeting yet distinct, repeated in endless variations, intangible by reason. The rise of tendentious journalism has coincided with a revolution in the financial organisation of the newspaper, which has brought the Press under the control of a few rich men. The millions are intellectually lazy, and it has become the business of the newspaper proprietor to mould their opinions without giving them the trouble of exercising their wits.

The Press has presented a formidable obstacle to every attempt to promote a general European settlement, and that mainly by assisting to perpetuate the distinction between victors and vanquished. The completeness of the military victory which ended the war in itself obscured the issues for which the war had been fought. It was an easy transition to interpret the triumph of force as the final justification of force itself, and to forget that the military superiority which was in the end decisive was nothing more than the expression of a world-wide moral conviction, the instrument of a moral purpose. The Peace Conference in Paris was torn between the recollection of the aims which had inspired the Allied cause and the brutal fact of its complete success in the field. In the one mood the Conference looked into the future and devised the Covenant of the League of Nations ; in the other it imposed terms on a beaten enemy that were harsh and impracticable, and above all short-sighted. This fundamental dualism which runs through the Peace Treaty has developed in the last four years into a pitched battle between two schools of thought, and largely through the malign influence of the Press the belief in force for its own sake, force not as the last weapon to be seized in defence of justice, but as a mysterious power which puts him who has it in the right—that faith has multiplied its adherents throughout Europe. Away with your idealism, says Lord Birkenhead to the

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students of Glasgow: "the world continues to offer glittering prizes to those who have stout hearts and sharp swords." M. Poincaré, who was never Lord Chancellor and is free to translate precepts into action, chose his prize a year ago in the Ruhr.

On all hands we have the spectacle of the apparent triumph of force over law. Every instance of an appeal to force which has succeeded to the extent that Europe has failed to vindicate justice has encouraged faithful imitation. In Eastern Europe the earlier seizure of Vilna has been an evil precedent, and the inability of the League of Nations to make any effective protest against that act of national brigandage marked the first stage in the diminution of the League's moral authority. Everywhere the example of the Ruhr occupation has inspired and emboldened the oppressor. The bombardment of Corfu would hardly have seemed tolerable even to the exaggerated virility of a Fascist Government if the occupation of the Ruhr had not preceded it. Italy, indeed, and her rare apologists abroad made no secret of the source from which their inspiration was derived, and with all the ardour of the disciple—or was it with the cynicism of the unbeliever who is not too proud to imitate for his own ends what he despises?—they copied the very tone and language of the original. "The seizure of a pledge" is a euphemism which will perpetuate the memory of M. Poincaré in European history.

In a Europe marked by these general characteristics France and Germany still hold the centre of the stage. Their enmity and its consequences overshadow every other problem of world politics. At times it may appear to some that a tragedy is being unfolded before our eyes, relentlessly, inevitably, to a consummation as far beyond our power to influence or postpone as it is beyond the power of the spectator to divert the destiny of an *Œdipus* or an *Othello* from the path conceived for it in the imagination of the poet.

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France has been led by her Government, not at first openly or candidly, but yet indubitably, to put her whole trust in armed force. Germany, said M. Poincaré at Brioules on September 16, "attempts to discredit before the world our valiant and faithful black troops, because she does not wish us to be a nation of a hundred million men." The recruiting of hordes of African natives is reinforced by military alliances in Europe. France has already during 1923 voted credits of about £10,000,000 sterling to Poland, Roumania and Jugo-Slavia for military purposes, and rumours have been current that the advance is to be doubled. Her military missions batten on the small States of Central and Eastern Europe, and their influence and that of France are directed to the maintenance of military establishments far beyond the means or the reasonable needs of the countries concerned. The views and ambitions of the military caste already exert an excessive influence on French policy. In the occupied territories France has proceeded from one act of illegality to another, from the comparative moderation of January to the gross oppression and abuse of her latest intrigues with the Separatists. The evidence of the correspondent of the *Times* in the Rhineland and of other responsible journalists has revealed the worthlessness of French professions of neutrality in the internal affairs of that area. Under the protection of French bayonets and machine-guns bands of gaol-birds are, as these lines are written, free to terrorise decent citizens and to masquerade as the Government of a new republic. France, indeed, is in the grip of an almost irresistible impulse to urge on the disintegration of a once powerful enemy, and is pursuing her course without regard to French financial interests, French good faith or the ultimate conditions of French security.

Across the Rhine we see threatened with disaster a people more numerous than the French, with traditions no less ancient, a people whose contribution to the civilisation of Europe, marred though it has been by great wrongs and by

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strange offences against humanity, is no less significant than that of France herself. Germany stands to-day on the brink of the unknown. The future is dark and inscrutable. The economic structure of the country has been shaken as by an earthquake. Neither for finance nor industry is there firm ground in which new foundations can be laid. Wages, prices, the currency are in constant flux. In politics all is confusion. The weak image of popular government has been replaced by a dictatorship, but no change in constitutional forms can conceal the absence of any effective general will or restore authority or singleness of purpose to a nation distraught and nerve-wracked by the nightmare of its economic life. The thought of disorder and revolution to come is in every mind, but by a kind of negative obstinacy of resistance, the subconscious relic of a once active national pride, the danger is warded off long after all energy or initiative to remove its causes has departed. In the towns hunger has already appeared and the spectre of starvation approaches with the winter. It is, unhappily, not without reason that American charity is already contemplating the work of famine relief as the most likely occasion of the reintervention of the United States in European affairs.

II. THE VAGARIES OF BRITISH POLICY

IT is difficult to reflect on the present situation of Europe and the events which have led up to it without a sense of shame for the ignoble part which the British Government has played since the Armistice. Five years ago the moral repute of the British Commonwealth was at its height. The Commonwealth had come, shaken but victorious, through the greatest war in its history. Three-quarters of a million of its citizens had given their lives fighting for the weak against the oppressor in defence of a principle that was felt to be vital to the future of civilisation. They

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had fought with a deepening sense of the horrors of war, and a determination that through their sacrifices a world should be born in which no such outrage on humanity could recur. A foolish ideal it may now seem, yet it was a faith widely held throughout the world, and it is not for us who have failed to vindicate it to question its wisdom. It is a poor form of realism which does not recognise the eternal aspiration of the human mind towards a better order.

The decline of the moral influence of the British Commonwealth began at Versailles. The reparation clauses of the Treaty have been one of the main causes of the descent of Europe to its present depths. That they were economically indefensible is a serious commentary on the judgment of the delegates, and not least of the British delegates; but it is a far graver reflection that British insistence on the claim for pensions made that part of the Treaty morally inexcusable. From that initial blunder British prestige has never recovered. Mr. Lloyd George spent his energy and imagination in the attempt to bring France to reason. He was never able to live down the earlier compromise. He continued to co-operate with France in a policy which he knew to be both wrong and foolish, and as long as there was any prospect that moderate views would prevail in France, that course might be justified. But when M. Poincaré came to power, France threw off all pretence of seeking an accommodation with British opinion. M. Poincaré threw over the Cannes agreement, he set out to wreck Genoa, he rejected absolutely the reparations proposals made by the British Government at the London Conference in August, 1922, he entered into active opposition against British policy in the Near East. It was then that the Coalition Government found itself caught in the toils of its own earlier sophistries. It had stated after so many abortive conferences that the two Governments were in complete agreement, that to put an end to the sham required not merely a simple courageous decision but an

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admission of previous inconsistency. From that Mr. Lloyd George drew back.

The Governments which followed him have succeeded only in hastening the decline of British influence. When M. Poincaré proposed in January last to occupy the Ruhr, the British Government was advised that the occupation would be a clear breach of the Treaty of Versailles. Yet it was content to say to the French, "We do not think your method will bring reparations, we fear it is more likely to lead to disaster to Europe ; but we shall do nothing to oppose you, and we wish you well." Nothing, either in the commitments of the Coalition Government or in the circumstances of the time, can in our judgment excuse that attitude. It was an abject surrender of the whole moral position of the British Commonwealth. In the sequel the weakness and inconsistency of British policy have earned the contempt of Europe. At the prompting of the British Foreign Secretary the German Government put forward in June proposals for a reparations settlement which the impartial opinion of the world accepted as a sincere and reasonable attempt to reach a solution. They are still unanswered. It is not without justice that the German people feel that they have been encouraged only to be betrayed. After months of acrimonious diplomatic controversy with France, the Government in August said in public and at prodigious length what ought to have been said in January. Parliament and the nation, France and Germany, all Europe indeed, assumed, as they were entitled to assume, that the British Government was about to act in the sense of its expressed convictions. It did nothing whatever, and a month later, while France had continued ruthlessly and relentlessly on her chosen course, the Prime Minister met M. Poincaré in Paris and subscribed to a declaration that he was "happy to establish a common agreement of views, and to discover that on no question is there any difference of purpose or divergence of principle which could impair the co-operation of the two countries."

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One member of the Government at least is entitled to be absolved of any suspicion of inconsistency. The Under-Secretary for Foreign Affairs, Mr. Ronald McNeill, has lost no opportunity since he took office, whatever might be the views of his chief, to reiterate the crude sentiments and cheap economics of the Armistice period. As recently as October 28 this was his message to the electors of Tiverton :—

Germany is not only a debtor, but she is a fraudulent defaulting debtor. Germany as a nation is not entitled to, and she will not receive our sympathy. It is not a question of sympathy but of getting hold of the cash. That is our object, and that is the object of our French Allies. We are absolutely wholeheartedly with them that Germany must pay the cash which she undertook to pay.

We have no desire to speak lightly of the difficulties which those who are responsible for British foreign policy have to meet. France has been in no mood to listen to reason, there is no longer any strong or united national will in Germany, America still shrinks from any decisive act of co-operation to save Europe. All this we are bound to recognise, but we still believe that the most formidable obstacles which confront the Government are of its own construction. British influence in Europe is not likely to be restored until the British Government has the courage of its convictions. It may be said that the Government has no convictions, that the divisions in its own ranks are an exact reflection of the divisions in popular opinion. We do not think that any Government capable of basing its case and its policy on certain broad moral issues need despair of finding the support of the nation. The nation has never yet failed a Government which had the courage to trust its intuitive apprehension of a moral question. As a people we hate war, we dislike the perpetuation of a state of war under the cloak of a nominal peace, we do not believe in military government of one race by another, we stand for the sanctity of treaties. If these principles of our political outlook as a nation found sincere and consistent expression

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in our foreign policy, they would find also an echo, not only here but in Europe. For Europe, in spite of its armies and its dictatorships, is at heart weary of strife. It is looking for a lead, for the bold enunciation of some principle other than brute force. For the British Commonwealth itself, no foreign policy which does not rest on the vindication of moral principles can count on the unanimous support of the Dominions, and no policy which is so derived need ever despair of receiving it.

III. THE IMMEDIATE PROBLEM

IT would appear that the negotiations entered into in agreement with America for the appointment of a Committee of experts to enquire into Germany's capacity to pay reparations have broken down. America would send a representative to such a Committee ; indeed the original suggestion of an enquiry of this kind was made by Mr. Hughes a year ago. If the Committee had been constituted and had made its report, France would have found herself in isolation in face of the expert financial judgment of the whole world. M. Poincaré has made it clear, however, that he will not allow any Committee to make an unfettered report. It must enquire only into the capacity of Germany now and in the immediate future ; it must not suggest any diminution of Germany's liability of £6,600 million, fixed in 1921 ; it must accept the present position in the occupied area as final. An enquiry under such restrictions is worthless, and the United States Government has not hesitated to say so.

It may be that, as the writer of our American article* suggests, a way can yet be found of overcoming M. Poincaré's opposition. If so, we should all welcome it. We are, however, bound to ask what the policy of the British Commonwealth is to be if no such way is found.

* See page 46.

The Immediate Problem

The view of the Imperial Conference was that "it would be desirable for the British Government to consider very carefully the alternative of summoning a Conference itself in order to examine the financial and the economic problem in its widest aspect." In our opinion, the utility of any Conference which does not include France will entirely depend upon whether America will take part in it. Without her, it would be worse than useless to convene one. It has generally been assumed that she would not be ready to intervene except by way of charitable relief unless her former associates in the war are agreed on the terms of the invitation. But though the chance of her taking part in a Conference without France may be small, Mr. Hughes' words do not rule it out. The United States, he said, in the event of one or more of Germany's chief creditors declining to come to the Conference, "would reserve its decision." The British Government should, we think, approach Washington on the subject.

There is, however, another step that must be taken. We feel that the first and most urgent task is to put an end to the ambiguous and ignominious position of our relations with France. The Entente in any fruitful sense has been meaningless for two years past. Yet for Mr. Ronald McNeill it is still an alliance. It is still not unusual for British Statesmen to speak of the maintenance of the Entente as a principal aim of British policy. Lord Grey, whose judgment of the state of Europe is hardly to be distinguished from that expressed in this article, can see no other conclusion than that the bonds of our co-operation with France should be drawn closer. Co-operation with France on any terms short of complete acceptance of French views and French policy has been patiently and laboriously proved to be impossible. Are we to believe that the duty or interests of the British Commonwealth require that sacrifice? Are we to share the responsibility for the French proceedings in the Ruhr which we have declared to be illegal? Are we to join in

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handing over a free people to the mercy of gangs of armed ruffians? Are we to support the intensive militarisation of Europe? To ask these questions is to answer them. We can do none of these things, and as long as French policy remains what it is, the Entente is a sham, and, like all shams, a danger.

We believe, therefore, that if France finally refuses to join in the proposed expert enquiry on any basis which would leave the Committee free to tell the truth, it is the duty of the British Government to indicate publicly that the Entente is at an end. Great Britain reserves all its rights under the Treaty of Versailles, it repudiates none of its obligations. But it is unable any longer to continue the pretence of co-operation with France or with any regard to its self-respect to preserve the name of an Entente from which every shred of meaning has withered. Complete freedom of action is essential to the pursuit of a consistent British policy in foreign affairs. As to the consequences of such a step in Europe or elsewhere, we have no apprehensions. It is a poor estimate of the position of Britain in the Moslem world which regards it as at the mercy of French intrigue. France has her own problem with Islam, and it is certainly not lighter than ours. In Europe we believe that nothing but good could come of the formal ending of the Entente. A detached position is more likely to lead to an understanding than the present make-believe. France, for all the unyielding rhetoric of M. Poincaré, is no longer sensible that she is treading confidently on sure ground. Doubts and uncertainties are not far beneath the surface. Belgium has at last asserted her own freedom, both in the negotiations for the expert Committee and in the treatment of the Separatists. Italy, always a lukewarm friend of the Ruhr policy, is now definitely in opposition. An entirely frank and honest declaration by the British Government might well be for Europe "the trumpet of a prophecy."

INFLATION AND DEFLATION

I

THE controversy over inflation and deflation, which has been proceeding for some weeks in the Press, seems, on the surface at any rate, to show a very considerable consensus of opinion as to present policy. There is general agreement, indeed, that inflation and deflation—whatever these words may mean—are in themselves both undesirable, and that what our financial authorities should aim at is “stability”; that we should, in short, get back as soon as possible to something like the conditions under which we lived and traded before the war.

Mr. McKenna, who is credited with being anxious to see changes in policy, has stated that in his view “a policy either of inflation or deflation should never be adopted . . . except as a corrective; and the degree of unemployment at any time will always furnish a test of the right medicine to be applied.” “Neither do I say that we should pursue a policy of monetary inflation. With any improvement in trade, undoubtedly more banking credit and more currency will be required and must be provided, but this is not monetary inflation.”

The Federation of British Industries, who are also credited with a hankering after inflation, argue in their published report as follows:—

There are strong grounds for the belief that the interests of trade and of the country as a whole will be best served by a stable monetary policy which aims at keeping the price-level stable. We have suffered since the war from a process of inflation, followed by one of deflation, both for different reasons highly objectionable.

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At the moment we are at the depth of an extremely serious depression of trade. Past experience shows that in such conditions a certain upward movement in prices is an invariable and inevitable accompaniment of the process of recovery. The object of a policy of price stabilisation, therefore, should not be to stabilise prices at the abnormally low level shown by the index number at the bottom of a severe depression, but at such an increase on this level as normal trade activity would entail.

Moreover, while there is a very large body of opinion which wants to see the pound sterling again at par with gold, there are very few, so far as we know, who publicly advocate in order to secure such a result an active deflationary policy at this particular moment, leading to a further fall in prices, further depression of trade and commerce, and a further increase in the burden of the public debt.

But, though there appears to be a great deal of agreement among all parties, it does not seem certain that that agreement does not hide very considerable differences of opinion as to our ultimate aim on the one hand, and as to the present policy of the Government and the Bank of England on the other. "Stability" may mean different things. Does it, for instance, mean stability of prices, or does it mean the stability of our exchange with the United States, and therefore stability with gold? *The Nation*, which may be taken to represent the views of Mr. Keynes and his following of advanced currency experts (whose views perhaps have had weight in settling the wording of the Memorandum of the Federation of British Industries), is fearful that the authorities "in control of our credit system do favour measures which, whatever the sacrifices involved, will at all costs pull up the value of sterling to gold," and it invites those who differ from the arguments of the Federation of British Industries to answer the following questions:—

- (1) Do they think it likely, or even possible, that trade will at any time recover without (a) an expansion of currency and credit, and
- (b) some rise in wholesale prices?

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(2) If not, do they mean, so far as they are able, to prevent a recovery of trade until such time as the pound sterling is back at dollar parity ; or at least for so long as there is any tendency for the exchange to fall ?

It declares that in its opinion the motive of our financial authorities is

to maintain and to raise the dollar-sterling exchange rate, and in pursuit of this purpose they are ready to adopt measures which must necessarily tend to depress trade or to impede its recovery, though they are very anxious to conceal this unpleasant fact from the public and, so far as possible, from themselves.

II

IT is not possible for the layman to understand the problems involved unless he looks a little way back into the past. At the outbreak of the war nearly all the leading commercial and financial countries, with the exception of China, had adopted the gold standard. Their currencies were tied to gold, and in consequence the foreign exchanges of all such countries varied only within very narrow limits determined by the cost of shipping gold from one country to another. Similarly, the general price-levels in these different countries, while subject, of course, to the temporary influences of the trade cycle, can be said with more or less accuracy to have altered only in relation to an alteration in the value of gold itself. While many theoretical arguments can be brought to show how dangerous and, indeed, absurd it is for mankind to have chosen one particular metal as its standard of value, and to have committed its economic future to so arbitrary a guide, it can at least be said that on the whole the system worked admirably in practice. It is true that the more or less universal adoption of the gold standard had taken place only within the previous fifty years, that the past history of gold had been a very chequered one, that the value of gold itself was always slowly changing, and that the system

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was liable to be upset altogether at any moment either by further great discoveries of gold, or, for instance, by some chemical invention for the synthetic production of gold, or, indeed, more certainly by the "petering out" of existing mines. Nevertheless, the system, we repeat, was working effectively, was an improvement on any previous stage in human history, and in any case represented a state of affairs like heaven compared to our present evils.

During the war, however, all belligerent countries and many neutrals were forced to abandon the gold standard. The necessities of war involved so great inflation of currency and credit, and therefore so great a depreciation of the value of the currencies concerned, that they could not be maintained on a par with gold. By artificial means, which could not possibly be continued after the war—since they involved constant government borrowings—the French and English exchanges were kept, it is true, not far below their gold value. But as soon as the war was over, and natural forces were allowed to have their way, there was a very rapid fall in them. Exchanges and prices in general are therefore no longer determined by the value of gold, but are subject to all the influences of inconvertible paper money. Instead of gold controlling, it is Governments who control, or who attempt to control, currency, with varying success. Those neutrals, which have been subject, perhaps, to least financial stress, such as Sweden, Holland, and Switzerland, manage to keep their currencies either at, or almost at, the gold par. Great Britain has by strenuous efforts raised the pound sterling to within about 10 per cent. of its old value. Other neutrals, such as Spain, Denmark and Norway, have fallen for various reasons considerably below the par value, France and Italy for other reasons far below, and Germany, of course, has seen its currency collapse altogether. New States have either like Czecho-Slovakia pursued a bold, even too bold, policy of currency improvement, or like Poland have allowed their currency to become almost valueless

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There has, however, been another result arising from this almost universal abandonment of the gold standard. Gold itself has lost a great deal of its stability. Gold is like any other commodity; the wider and more varied the demand for it in relation to its supply the more likely is its price to be stable. Formerly it was distributed in a comparatively stable manner among many countries all of whom exercised an effective demand for it for currency and other purposes. Now, while great amounts are still held locked up in the various central banks and treasuries of countries which have abandoned the gold standard, the effective demand for the floating or new supplies of it is limited to a few countries, and chief of all to the United States, which now possesses vast unwieldy stores. There is therefore a great element of instability in the metal itself.

Limiting our view to the post-war period, we can judge of the fluctuations in the value of gold by glancing at the changes in the commodity value of the dollar which measure them, as expressed in the Index No. of the Federal Reserve Board :—

— 1913	.. 100	December, 1920	.. 187
January, 1919	.. 201	June, 1921	.. 164
July, 1919 ..	.. 222	December, 1921	.. 147
December, 1919	.. 225	December, 1922	.. 148
June, 1920	.. 275	July, 1923 ..	.. 148

These figures are a testimony to the enormous fluctuations in the value of gold during the last few years. Nor is the danger past. The amount of gold itself now in the United States would justify a great extension of credit resulting in a great increase in prices in that country, and therefore a great fall in the value of gold, and, while such an inflationary movement has been hitherto held in check by the Federal Reserve Board, it is impossible to say whether ultimately it will be avoided. To return to the gold standard is not, therefore, necessarily the same thing as to return to stability.

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III

SHORTLY after the war the British Government appointed a Committee, known as the Cunliffe Committee, to advise upon future policy as regards currency. This Committee reported in favour of a return as soon as possible to the gold standard, and set out with great ability the arguments in favour of a speedy return to the old system, the soundness of which had been proved in past years. They made certain definite suggestions, the most important being that during an interim period the actual maximum fiduciary circulation of Treasury notes in any one year should become the legal maximum for the following year; their aim being that the currency should gradually be contracted within such limits as were necessary to make it equal to gold. This policy was adopted by the Treasury, and a Treasury regulation was issued shortly after limiting the issue of currency as aforesaid. The Committee further recommended that the policy should be pursued of placing Bank of England notes instead of government securities in the Currency Note Reserve as cover for the fiduciary portion of the Currency Note issue. Thus demands for new currency would operate in the usual way by reducing the Bank of England's reserve and therefore affecting the basis of credit. Under these arrangements the total issue of Bank of England and Treasury notes, after rising considerably in the interval, has fallen from £429,000,000 in December, 1919, to £382,000,000 in October, 1923. The above regulation is still in force, and the policy of the Cunliffe report remains, so far as is known, the official policy of the country on currency matters.

Meanwhile, however, the enormous influences of the war remained in the ascendant, and the history of currency and credit in the years after the Cunliffe Committee's report records a wholly abnormal and unforeseen course.

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The first report of the Committee was issued actually before the war was over, and its final report in December, 1919. Yet during 1920, so far from any nearer approach to normal conditions, we suffered from a period of intense inflation of currency and credit; prices rose to a far higher level even than in the war, and were then followed by a disastrous collapse, a "deflation," from which, whatever its causes, we have not yet succeeded in extricating ourselves.

During the war the inflation of credit which took place was a government inflation. Our industry was working at high pressure, but it was working on war orders financed by the Government more than by the Banks. Thus the end of the war found the banking institutions of the country in a very liquid position, and anxious and ready to lend to all good borrowers. It found also the whole world of business in an optimistic mood, ready to believe that the end of the war meant a return to normal business in all countries, and convinced that there existed throughout the world an insatiable demand for every kind of article which would keep industry busy for years. The business world went, therefore, full steam ahead, and there was a vast expansion of commercial credit. There resulted a huge rise in prices accompanied by abnormal production. But the activity was unhealthy, feverish and ill-regulated. The pace was too hot to last, the world had by no means regained its equilibrium, and the check was bound to come, if not by any deliberate action taken to curb the expansion, then by a collapse in some particular industry, which in the over-extended state of credit was certain quickly to communicate itself to all others. In the extraordinary condition of affairs existing the judgment of business men in every country was almost certain to go astray. There were no means of ascertaining accurately what real demand existed. Nearly every industry misjudged its market. Industry is almost like an organic growth. To be sound it must grow gradually through a million interweaving cells and strands. For a year or two after the war its growth was wholly

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ill-regulated. The collapse started in Japan in the first half of 1920. Meanwhile the discount rates in the United States and England had been raised to very high levels with the object of checking the inflation, and the tide soon after turned in these countries also. There was a huge fall in prices in both countries, and a most violent crisis. The high discount rates were kept on for many months in both countries, the American rate remaining at 7 per cent. for eleven months, and the English rate at the same figure for about twelve months. Meanwhile the index number of prices had fallen in America from 272 in May, 1920, to 148 in June, 1921, from which point it began to recover in 1922. In England prices as expressed by the Board of Trade index number fell in the same time from 322 to 198, *i.e.*, not so rapidly, but they continued to fall for another year, till they reached their lowest point, namely 154 in September, 1922, though they were, as a matter of fact, comparatively steady all through 1922, and have remained so since. But this enormous and prolonged fall of prices in this country in 1920 and 1921, and the consequent appreciation in the value of the pound sterling, did not suffice to bring it back to par, owing to the simultaneous increase in the value of the dollar. If the huge gold stores in the United States had resulted, as many expected, in a subsequent great fall in that value we might have now got back to par, but this development still tarries, and prices in the United States remain very steady.

During these many months of falling or stagnant prices and the accompanying depression the difficulties of bringing back our exchange to par have become clearer to us than they were at the time of the Cunliffe Committee. We see that so long as the Federal Reserve Board holds prices in check in the United States, and so long as American interest rates are higher than ours, we can only achieve our object by still further deflation here and by a further increase in our interest rates. If we are not prepared to face such steps, we must await the moment when prices

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rise in the United States and when the consequent fall in the value of the dollar performs automatically for us the task we cannot at present perform for ourselves. The huge stores of gold in America, which probably cannot for ever be prevented from exerting their influence on credit, make it likely that such a development will sooner or later take place.

IV

THIS being our problem, the first question which arises is this. Do we ever want to get back to the gold standard? Is it a good standard or a bad standard? Can we not manage our currency better ourselves without any metallic backing? It has already been admitted that, as the Federation of British Industries point out, "under post-war conditions gold has lost one of the principal elements of its pre-war stability—its general use as a currency standard by the principal nations of the world." So strongly is the inefficacy of gold felt by some experts that they seem now to have brought themselves to the opinion that, far from undergoing any sacrifices to return to the gold standard, we should make up our minds permanently to abandon it. This is not the view of the writer. That it falls very far short of a perfect standard is admitted. But at least its more or less universal adoption did at any rate mean that all gold standard and gold exchange standard countries received the great blessings not only of stable internal prices, but of stability in exchanges as between one another. What is the alternative? It is that the Government or other financial authority of each country should regulate its own inconvertible currency and its own credit system with the object of securing stability in its internal price level. When each country had decided what was to be the particular level of prices which it intended to maintain, and if

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all were successful in maintaining their respective levels, then the exchanges as between each would maintain a similar stability. But what chance is there of reaching this Utopia? For, as Mr. Hawtrey writes :—*

Regulating credit, in fact, is an exceedingly delicate operation. How, then, it may be asked, can we hope to arrive at a system of international control? Most of the countries co-operating will be subjected for many years to come to prodigious financial burdens. The power of inflating credit or over-issuing paper money is intimately connected with Government finance, and in the last resort may afford the only alternative to an act of bankruptcy. A Government will not definitely divest itself of this power, nor, if it did, could its undertaking be in all circumstances observed. Are we to expect the development of a delicately balanced international mechanism from a crowd of distracted financiers, each pre-occupied with the desperate embarrassments of his country and ready to clutch at any expedient to gain a few months' respite from his troubles?

It is possible we might in this country be able so to manage our currency as to secure comparative stability of prices. But even here what success would attend our efforts cannot be said until after some years of experience. And how many other countries are likely to be equally successful? Are there many cases in which Governments in control of inconvertible paper currencies have not abused their power? And if other countries have fluctuating levels of prices, then, while our internal prices may be stable, our exchange will fluctuate in sympathy with the disturbances in the comparative value of our own and other currencies. It may be, and probably is, the case that our main aim must at present be to maintain internal stability of prices through the management of our own currency even at the neglect of stability of exchanges, but that we should regard managed inconvertible currencies among all nations as likely to be as satisfactory as a more or less universal gold standard seems to require too great a faith in human far-sightedness and powers of control. It may

* *Monetary Reconstruction*.—R. G. Hawtrey. Longmans & Co.

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be retorted that, if Governments are so unreliable, the gold standard itself will offer no obstacle to them. But it is undoubtedly the fact that the deliberate and open abandonment of the gold standard, once it has been definitely adopted, is an entirely different thing from the further depreciation of an inconvertible paper currency.

The dangers of the great accumulated stores of gold in America will certainly remain even when we are back on the gold standard. But they may not be as great as we are inclined to suppose. The extension of the gold standard to other countries, which are either very close to it now, or which would then be tempted to go in for currency devaluation, might be rapid. Moreover, the dangers would be apparent both for the Federal Reserve Board and the Bank of England, and measures of mutual co-operation to minimise them ought not to be impossible.

If then our aim should be to return to the gold standard, the next question is whether we should do so by raising the pound sterling to its old gold value or by devaluation, in other words, by reducing its gold content, say, to what would represent its present paper value. Whether a country should submit to a devaluation of its currency is in our opinion a question of balancing advantages and disadvantages, rather than a question of morality. For Germany or Austria or Russia ever to return to their old gold pars is obviously wholly out of the question. For France, Belgium and Italy, while not so clearly impossible, it would involve sacrifices of such severity consented to over so long a series of years that it is never likely seriously to be attempted. The case of this country is different, because we are only about 10 per cent. or so below par. Even to bridge that gulf is a matter of no little difficulty. Why then should we not boldly and at one stroke return to the gold standard by devaluation? The answer is that in our case there is more to be gained by maintaining the value of the pound unimpaired than by an immediate return to the gold standard at the sacrifice of debasing our currency.

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Apart from the fact that we should by this latter course reduce the value of the enormous sterling debts due to us annually for interest on capital invested abroad and for other services, our credit throughout the world is of the greatest importance to us. It would certainly be seriously impaired for a long time by any such step.

Is it then all-important that we should return to the gold standard at once and at all costs, even at the cost of further deflation? In our view it is not desirable that we should contemplate a further fall in prices here, since falling prices would certainly increase trade stagnation. Not that we are numbered among those who attribute all the evils we are suffering from to monetary policy. There is a tendency—and a very pardonable one—for monetary experts to become so absorbed in the beauty and complication of their own theories that they end by asserting that monetary influences are responsible for almost everything that happens. It is far from the mind of the writer to minimise those influences. Their enormously far-reaching character is often ignored—indeed, is often not suspected—by the ordinary business man. Between the currency expert and the normal business man it is the former who is at least as likely to see to the bottom of things. But while the business man sometimes cannot see the wood for the trees, the expert is inclined to say that there is a wood but no trees in it. The monetary theorist is tempted to argue that at the present moment all our evils, all our unemployment, all our trade depression are due to the deflation which has taken place since 1919, and that that deflation was in this country caused solely by the monetary policy pursued by our financial authorities. He will hardly admit that anything is due either to the immense disorganisation caused by the war, or the disequilibrium as between one industry and another, or the shorter hours worked, or the fact that wages in several industries are well above pre-war standards, or the political troubles in Europe, or the occupation of the Ruhr. His views are taken up quickly

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by enthusiasts, less expert than he, who assume at once that by a little dose of inflation leading to a rise in prices all our unemployment can be cured. But the expert goes too far. In the extraordinary and unprecedented circumstances existing after the war it is doubtful if a great expansion of banking credit, and therefore a great inflationary movement could in any event have been avoided. It is true that the Bank of England and the Federal Reserve Board, had they been gifted with greater foresight than they or any one else in the business world for that matter displayed, might have stemmed the tide earlier, instead of at a moment when to stem it meant inevitably to turn the waters rushing back. It is true again that the bank rate might have been lowered earlier, in order to restore confidence quicker. But when it is claimed that all unemployment since then has been due to a deliberate policy of deflation the argument is much more doubtful. For it must be remembered that for many months we have had cheap money, easy credit and comparatively stable prices. Had other conditions been favourable, there is no reason why business should not have gradually recovered. It is absurd, in our opinion, to assert that it is the Cunliffe Committee's report rather than, for instance, the Ruhr occupation and the extraordinarily dangerous condition of Europe that has prevented a recovery. Shortly before the occupation of the Ruhr, there was indeed an improvement to be seen on every side, but that disastrous undertaking, though it stimulated certain industries, absolutely destroyed confidence, without which business must wither. Those who are engaged in daily practical business know that this is true, and that in every business problem to be considered the disturbed condition of the world holds first place in importance.

It is misleading in our opinion to compare American conditions with English, to impute American recovery to the rise in prices that took place there in 1922 rather than the rise in prices to the recovery, and to argue that,

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had we let or made prices rise here, we should have been equally well off. You cannot compare this overcrowded little country with a vast and more than self-sufficient continent, which can absorb a million or two additional people a year.

It was argued not long ago in certain quarters that the failure of the improvement noticeable at the end of 1922 to develop was due to a definite lack of credit facilities in this country. But that was certainly not the case. There is not now, and there has not been for some time, any difficulty about obtaining credit from the banks. The trouble is that credit is not wanted, not in our view so much because of any uncertainty as to the course of prices owing to our currency policy as because of the whole political situation, and probably, too, owing to the fact that high wages plus short hours in some of our chief industries do much to hamper recovery. We should all like to see these favourable conditions of labour maintained. But it is a question whether the community can afford them, and whether a too high standard among some sections does not inevitably involve unemployment among others. There has in any case been no forced deflation in the past eighteen months. The Government have been enabled to reduce the floating debt by the fact that available credit was not required, not at the expense of credit actually wanted.

Nevertheless, even admitting all this, we cannot afford to add to the handicaps under which trade is at present languishing. Yet it is to be feared that, whatever currency policy we may pursue, our foreign trade cannot fully recover until peace returns, and big as our home trade is, as compared with our foreign, its prosperity is vitally affected by the inability of the outside world to purchase from us.

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V

IT remains to consider in a little more detail what should be our actual policy at the present moment. Does the recognition that we cannot force the pound sterling to par by a further deflation of prices involve us in any radical change of policy? Must we officially abandon the policy of the Cunliffe Committee and withdraw the Treasury regulation which fixes for the time being the maximum fiduciary issue of currency notes? What exactly is the "right medicine" which Mr. McKenna wishes to apply? Is it the same medicine the Federation of British Industries recommend in their memorandum when they talk of creating "fresh sources of credit?" They refer to the Government projects for development on which a good many million pounds are to be spent, and they proceed:—

It appears to the Federation, however, that such projects will fail to be of any real benefit if the money for them is found merely by taxation or by depleting existing sources of credit.

If this is done it would merely mean a temporary stimulation of some industries at the expense of a diminution of the resources available for all other industries, and the ultimate result might be merely to attract capital and labour temporarily to a few industries at the expense of industry in general, and at the cost of an ultimate reaction of a severe character as a result of over-stimulation and disproportionate development, even in the industries temporarily benefited. If, on the other hand, these operations are financed by the creation of fresh sources of credit, they may play a useful part in hastening a general trade revival and ultimately in increasing the general volume of trade in the Empire.

It is a little difficult to grasp exactly what the Federation have in mind. Do they mean that these projects are not to be financed by the proceeds either of taxation, or of loans raised out of the actual savings of the community, or by ordinary banking advances, which presumably are the existing sources of credit? What are the fresh sources of credit which are to be created? Do they mean that the Government shall return to the good old war days, when

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they created fresh sources of credit by the simple expedient of "Ways and Means" advances from the Bank of England or what?

We have the impression that some parties at any rate in the Federation, without any very clear idea as to where they are going, do indeed wish to reverse the whole policy which this country has been pursuing since the war. They would advocate, it seems, a definite inflationary policy, a policy which might be described shortly as that of giving a cocktail or two to industry by measures intended artificially to heighten prices. The policy, while seductive, is dangerous. The effects of a cocktail are not very lasting, and it is a bad habit to acquire. One cocktail leads to another. Real inflation is only helpful to an export industry, as long as it is continued, that is, so long as production costs have not kept up with the currency depreciation, as Sir Herbert Hambling pointed out recently in his excellent address to the Institute of Bankers. Moreover, as inflation proceeds it becomes less and less effective, even from this limited point of view, apart from its other disastrous consequences. The further it goes, the more quickly internal costs and wages are adjusted to the external value of the currency. We have had enough experience of the folly of such a policy to embark on it now.

But this school of thought also believes that we should couple with some depreciation in the currency an abandonment of any attempt at present to reduce debt through taxation. They would like us to abandon altogether the Sinking Fund, and probably would not be averse to more Government borrowing. Their argument is that taxation is killing industry, and that the country cannot afford at present to repay debt. In one form or another this opinion is very widespread. We are ourselves entirely opposed to it. We do not believe it is possible for any British Government to enter deliberately on the path of inflation in order to diminish the burden of the National Debt. We are equally opposed to the expedient of a capital levy. There

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remains only the policy of steadily reducing debt by means of a Sinking Fund. The money so raised by taxation is not lost to industry. It is all available for capital investment. And it is to be remarked that it is in the main the holders of the National Debt who pay the taxation necessary to support the value of their security, and necessary also as a means of avoiding either a capital levy or a depreciation of currency. Moreover, it may be pointed out that the Disposals Board alone has recovered £600,000,000, really representing capital, which the Government have used to swell their revenue, and which is far larger than any reduction in indebtedness. We should like to see this whole question of the effect on industry of debt reduction dealt with by some competent authority like Sir Josiah Stamp. It is very important the public should understand it.

The most formidable opponents of the Cunliffe Committee's policy are, however, more moderate in their demands. They believe that our financial authorities have their eyes fixed only on the New York exchange, and that in order to return to the par of \$4.86½ to the £ the latter will face a higher bank rate and a further fall in prices, and that, in dread of this, merchants and manufacturers are held back from any expansion of their business. They therefore ask that in order to remove this fear the Government shall announce officially its abandonment of the Cunliffe Committee policy, and accordingly of any attempt—at any rate at present—to return to the old gold standard; furthermore that the Government should state publicly that even at the cost of a falling exchange they are prepared to stand by without putting up the bank rate and see prices—in particular wholesale prices—rise considerably, until trade and unemployment have both considerably improved. They state correctly that our main unemployment is in the export trades, which cannot hope to be benefited by any tariff, and they argue that owing to expectations of a further rise in the value of the pound

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sterling our exchange with New York has recently stood higher than economic conditions justify, and that it is this which is damaging those particular export trades just as the contrary case of unduly depreciated exchanges in other Continental countries acts as a bonus to export there. They therefore regard the recent fall in our exchange as in itself necessary and desirable and presumably, if, as they anticipate, prices will with trade improvement rise further here, they will regard as equally desirable a further fall. While it is not quite clear whether they would advocate an actual lowering of the present bank rate, they certainly advocate no further raising of it until the improvement in trade has got considerably more under way.

While these arguments have great force in them we regard them as open to the following criticism. The problem before our authorities of choosing our exact financial path is one of great difficulty and delicacy. Psychological influences play a large part. Our credit throughout the world is an extremely important factor, and yet extraordinarily sensitive. The great effect on our exchange of recent statements by politicians as to possible changes in our financial policy is proof of this. There is already an uncertain feeling throughout the world as to what policy England means to pursue in the future. Nothing is more difficult than to make any official pronouncement which is definite and yet not open to every kind of misunderstanding and misrepresentation upon this extremely complicated and many-sided problem. Our financial authorities are like men steering a boat in a very rough sea. They know clearly their general direction, but they cannot tell each turn of the wrist which will be necessary to keep the boat head on. If our view is correct that it would be a fundamental mistake to abandon the attempt to return ultimately to the old gold par, we should leave the world under no misapprehension as to our intention. In other words, we should not abandon the main aim of the Cunliffe Committee. Though we may not be

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able to avoid them temporarily, we should not minimise the evils of a further depreciation of our currency, with its attendant results of a rise in the price of imported articles and further instability. These evils are not negligible for social reasons ; they are far from negligible in their effects on London as the world's financial centre. The pound sterling cannot ultimately retain its position in the world or London remain predominant, if it continues for long to fluctuate greatly in value. And this is by no means unimportant to us. But, while we should be clear as to our end, our authorities should, we think, also affirm—as Mr. Baldwin has done—that they aim at the stability of internal prices and that they do not propose to take any step which will tend to discourage the improvement of trade now showing itself. Actual policy must depend so much on immediate circumstances that anything beyond a very general statement would in our view be unwise. If, therefore, we may return to the two questions propounded by *The Nation* in the words quoted at the commencement of this article, we should say first that we do not expect that trade will recover without an expansion of trade and currency and some rise in wholesale prices, or rather in order not to determine too rigidly which is the cart and which the horse, we should prefer to say that such expansion and rise will accompany the recovery of trade ; secondly, we should agree that such recovery should not be prevented, merely because it involves some tendency for the exchange to fall. On the other hand, continually rising prices are not what we want. We want stability. We regard the existing bank rate as in no way penal ; there is still at the present level of currency and deposits plenty of room for an expansion of credit and some rise in prices. It should be remembered, too, that all parties agree that stability is what we require. Credit is unstable, and rising prices may bring a further rise with them. We can never dispense with an active and prudent control on the part of the Bank of England.

AMERICA AND THE PROPOSED ENQUIRY

I

THIS article should be introduced by a word of caution. In a quarterly review of politics the reader expects to find conclusions based upon reflection. He is entitled to believe that the opinions which are expressed in its various contributions are not the first instructive reactions of the daily Press, nor yet the soberer judgments of a weekly publication. He rightly looks for a more measured review of affairs. Yet sometimes, in the life of a quarterly just before going to press, an event unexpectedly occurs which seems to displace all others by its importance. Its appearance alters the face of things. Comparatively static relations become fluid. And a still further possibility arises that, between press and publication, new facts may be disclosed which will qualify the value of all that has been written. Nevertheless the situation must be dealt with by the contributor as it appears at the last available moment, with only the guidance of previous thought along selected lines, supported by a sincere sense of responsibility.

Such a sudden shift in the political scene was foreshadowed on October 23 by the speeches of General Smuts and Colonel Harvey in London. But its outlines were then only dimly indicated: so dimly indeed that a considerable number of Americans must have put aside their papers with the mental comment that it was a relief to read the last public utterance of George Harvey as Ambassador to the Court of St. James. It was as if a breathless joy-ride with a

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temperamental chauffeur had come, finally, to an end. The car had been in ditches and out again, had rounded corners on two wheels, and had skidded more than once upon a slippery road. An exhilarating trip for driver, passengers and bystanders—but bewildering to the last mile, for in the United States, at least, no one ever had been certain for whom Colonel Harvey spoke. It seemed as though his official statements over the past thirty months might have been variously inspired by Mr. Harding, by Mr. Hughes, by his friends among the Irreconcilables, or by his own imagination. This is set down in no ungracious spirit, nor in derogation of the striking record—for it *is* striking—of incidents closed during his comparatively short term of office. The Washington Conference, the debt settlement, the solution of the Irish problem, negotiations leading toward the extension of the three-mile limit for purposes of search—Colonel Harvey may muse upon this list with justifiable pride. It remains true, however, that on October 24, at the breakfast table, many people wondered what authority, if any, lay behind his farewell speech before the Pilgrims Society. Indeed, on the 25th, a full day after the texts of the two London speeches had been received, the *New York Times* failed to suggest any connection between them in its editorial page, omitted entirely to mention General Smuts' denunciation of French policy, and reviewed Colonel Harvey's statement as if it were not only irresponsible, but offensive to the Secretary of State :—

If an enemy of Secretary Hughes, if an envenomed Democratic orator attacking the Secretary's politics, had cast about to find a form of words in which to describe a most humiliating diplomatic rebuff, could he have pitched upon language worse than Colonel Harvey's? He may have received a cablegram from the State Department saying "Come home": but it is certain that the words were not added, "all will be forgiven."

The publication of the Hughes-Curzon correspondence and support in principle to the program of conference

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accorded by France, Belgium and Italy followed so rapidly that it seemed as though an era had passed in a few days' time. The tide, it would appear, had turned; and the United States was "back once more in the midst of Europe." The analogy of the war was on many lips—the long delay, exasperating and incomprehensible to the Allies, the final decision to enter the contest, and the ultimate victory. As then, so to-day. History was repeating itself.

Now a duty lies upon everyone who is seriously concerned about the future state of Europe to read signs as they are, not as they might be. In such a disciplined mood it is at once clear that history is not repeating itself in any sense of the phrase. Moreover, the responsible statesman who rejoices in this most recent event must content himself with it alone. He dare not deceive himself. He dare not play upon the hopes of his people by inflating its meaning, or by suggesting all the imaginary distances to which this one step must "inevitably lead." There is nothing obscure about Secretary Hughes' *aide memoire*, nor does it hold out prospects for the immediate amendment of the world's woes. Through him the United States Government expresses a willingness to do certain rather humble and pedestrian things. That is all. So long as this document remains in force as the basis of American participation, it should be studied closely. And one may venture to add that the cause of economic stability and peace will be more rapidly advanced by those who fix their eyes upon its strict limitations, than by those who read their own hopes into its language.

The important parts of Mr. Hughes' memorandum may be repeated in briefer form as follows :—

The Government of the United States is entirely willing to take part in an economic Conference . . . for the purpose of considering the questions of the capacity of Germany to make reparation payments, and an appropriate financial plan for securing such payments.

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1. Such a Conference should be advisory; not for the purpose of binding Governments . . . but to assure appropriate recommendations by a thoroughly informed and impartial body.

2. The Government of the United States has consistently maintained the essential difference between the questions of Germany's capacity to pay and of the practicable methods to secure reparations from Germany, and the payment by the Allies of their debts to the United States, which constitute distinct obligations.

(a) The Government of the United States has no desire to be oppressive or to refuse to make reasonable settlements as to time and terms of payment, in full consideration of the circumstances of the allied debtors. . . . The establishment of sound economic conditions in Europe, the serious reduction of military outlays, and the demonstration of a disposition of European peoples to work together to achieve the aims of peace and justice will not fail to have proper influence upon American thought and purpose in connection with such adjustments.

(b) The Government of the United States is not in a position to appoint a member of the Reparations Commission, inasmuch as such an appointment cannot be made without the consent of the Congress. The Secretary of State has no doubt, however, that competent American citizens would be willing to participate in an economic inquiry, for the purposes stated, through an advisory body appointed by the Reparations Commission to make recommendations in case that course after further consideration should be deemed preferable.

To resume. The United States agreed to participate in a strictly advisory economic Conference for the purpose of considering the questions of the capacity of Germany to make reparation payments and an appropriate financial plan for securing such payments. At this Conference the question of Allied debts to the United States was not to be discussed. There was nothing in this program to strike terror into the heart of the American isolationist, nothing to give excessive cheer to the fervid friends of Europe. It was what it purports to be, a warm but united offer of practical assistance in solving one problem which lies at the deep roots of Europe's unrest.

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II

HERE are, on the other hand, certain aspects of the American acceptance which deserve to be noted. In the first place, it is grounded upon a genuine concern for peace and stability. The earnest tone in which its terms are presented truly indicates the seriousness with which the step is taken, while, from another angle, it reflects anxiety for the state of Europe.

Secondly, it is fair to point out that it was not opportunism on the part of the American Government which woke the dead document of last December into a living basis of settlement. For one cannot think of a single moment since the Armistice when it was less to the selfish interest of the United States to lend a hand than it is to-day. Business is said to be in good shape, and sound. Certainly those who burdened the air with gloomy prophecies of disaster if the United States should stand aloof from Europe have been silenced by facts. The Republican party, under Harding, had been moving further and further away from the foreign field, without any noticeable loss of favour among the rank and file of voters. Indeed, occurrences abroad during the past few months—the invasion of the Ruhr, the broil between Mussolini and Greece, the Bulgarian revolution and the Spanish *coup d'état*—had made many converts to the principle of isolation, splendid or otherwise. Advantages may eventually accrue to the United States through this newest development in her foreign policy, but viewed from the standpoint of the present moment, it is a step without ulterior motives, contrary to her more obvious interests, and wholly directed toward the healing of Europe.

A third basis for hope may be found in the fact that the program of an economic Conference was not improvised in a panic. If anyone examines Mr. Hughes' *aide memoire*

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he will see that, except for certain paragraphs of interest to the student of diplomatic technique, the American acceptance of October 15, 1923, is identical with the Hughes plan of December, 1922. Almost ten months have intervened; there has been ample time to examine its merits, to consider its implications, to discard it as either inadequate to the situation abroad or as unacceptable to public opinion at home. It has survived the test, and it may therefore be reasonably regarded as the standing judgment of the Administration as to the most helpful way toward the restoration of tranquillity in Europe.

Lastly, for the first time since Harding took the oath of office the Republican party, as a whole, seems to be behind the foreign policy of the Administration. Senator Borah's prompt approval of the Curzon-Hughes correspondence—and the lack of force in Hiram Johnson's protest—indicate that the Irreconcilables are not the strength which they once were. The New York *Sun and Globe*, mouthpiece of another powerful wing of the party which has hitherto opposed every move toward cooperation with Europe, joined forces with the President on October 26 when it observed:—"For the first time since administration of the Versailles treaty was attempted there seems to-day to be a reasonable prospect of a practicable settlement." And since this statement it has consistently maintained its new position. Those thirty-one leading Republicans who in 1920 declared that the election of Harding would be the most feasible way of securing American membership in the League of Nations must be laying this fresh balm on their troubled consciences. It is not an exact fulfilment of the prospect which they then held out to the hesitating voter, but it is something else of a helpful and disinterested character. It need hardly be suggested that Secretary Hughes, thwarted in the fulfilment of his wish to associate the United States with the League, and so far blocked by the Senate in his effort to secure American adhesion to the World Court, must be

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relieved by this success, however modest, along the line of his desires. President Coolidge, in lending his more than passive support, appears to have accomplished the rare feat of making staunch friends within the party without further alienating any of its outstanding figures.

And as if to make the taste of victory sweeter still, the leading Democratic paper of the country, *The New York World*, capitulated generously in its issue of October 26 :—

In the ablest State paper he ever wrote, Mr. Hughes has served notice that there is a President in the White House, and a Secretary of State in the State Department. As a result of the Hughes note, the country is able to feel for the first time since the Washington Conference that there is an Administration in office which knows its own mind, possesses its own soul, and is thinking not about the threatenings of a faction, but about the miseries and dangers of the world and of the underlying interests of the American people. President Coolidge and Secretary Hughes have crossed the Rubicon. They have taken courage of counsel and not of fear. . . . If only they will keep straight to the line they have laid down, they need, in our opinion, have no doubt whatever of the support of the great majority of the American people.

The Republican party, the party of Roosevelt, John Hays, Elihu Root, and Taft is claiming its traditional right to the field of foreign affairs. It has come back into its own with its own program. There were valid and specious arguments against the League of Nations, but the Republican decision to fight it was based fundamentally upon the fact that it was linked up with the name of Woodrow Wilson. There were various objections of various sorts raised to the World Court, but the proposal for American participation lies fairly friendless in the Senate, because it was a part of the Wilson scheme of things. On either of these two rocks the party might well have split. But the Hughes plan, originating in these Republican circles, practical, modest and concrete, is an authentic erection. It is launched. Success to it, and courage to its sponsors at the sign of the first storm. For there are sure to be storms ahead.

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III

IT would probably be agreed that the fate of the Conference depends in considerable measure upon the amount of determination behind the American acceptance. The United States is "entirely willing" to participate; are we entitled to suggest that the Administration is interested to a still further degree? Has it entered the field again in a spirit of mere acquiescence, or is there a more dynamic force somewhere at the seat of policy? Well, there is a certain amount of persistency, for this is the third time that American offices have been volunteered toward the same general end—once in the spring of 1922, when the International Bankers' Commission were frustrated in their attempt to arrive at the working basis of a German loan, once in December of last year, when practically the present plan was semi-officially offered to France, and semi-officially ignored. And now, for the third time, the American acceptance of October 15.

There seem, however, to be new and unfamiliar qualities to this third effort, which demand a moment's consideration. The Government of the United States shows an accommodating mood—concessions of a rather surprising character are held out to France. Her debt is not to be cancelled, but her circumstances will be given consideration at some future time, when the delayed reckoning takes place. This is doubtless more of a concession from the point of view of American opinion which still expects payment, than from that of French opinion, which apparently regards the American debt as something less than real. It is, nevertheless, a concession. More important still is an expressed willingness to meet France's anticipated insistence that any such advisory body must act under the authority of the Reparations Commission. Then the tone of the Note changes, and it is made clear that if one or more of the chief

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creditors of Germany should decline the invitation to join the Conference, the United States would "reserve its decision" as to the proper course to pursue. Opinion in Washington had apparently developed to the point where Mr. Hughes' proposal was thought to be not only a *possible* plan, but so necessary a step that it might have to be taken even at the sacrifice of unity among the Allies. For these, in a diplomat's vocabulary, are significant words.

There is another aspect of these negotiations which has received little or no attention, and is of special interest in this connection. The British Note was sent on October 13, the American reply was dated October 15. On October 26, eleven days later, the two notes were made public. There is no other inference possible than that, for more than a week, pressure had been privately and unsuccessfully exerted upon the French Government to accede to the terms of the invitation. Failing in their efforts, the British and American Governments took a bold, and perhaps unlooked for step. The Notes were given to the Press. Poincaré bowed to superior strength, but he also bowed to a determination as powerful in Washington as it was in London. Without this new and vigorous spirit in both capitals, the Conference might never have been agreed upon, even in principle, and for lack of a little courage in high places the last hope of even formal unity among the Allies might have disappeared.

We are moving in the field of inference; but inferences with respect to the determination of the American Government are important, and are being drawn. What meaning, therefore, should be attached to the prompt reception which American officials gave to Poincaré's qualified reply to the British invitation? Even the Sampigny speech of October 28 and the official *communiqué*, "written entirely by M. Poincaré, in his own hand," failed to perturb the Administration. You may call it *naïveté*, if you choose, this matter of accepting French reservations as if they were beside the point; but it may well be something else.

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Witness the fact that on the very Sunday evening of the Sampigny broadside, within three hours after the official *communiqué* had been given out by the French foreign office, it had been received in Washington and read, and official doors were thrown open to reporters at an exceedingly unconventional hour of an unconventional day. It is worth risking a long quotation from the *New York Times*, sent from Washington that evening in time to appear in Monday's issue. This statement appeared in various other papers without material change. And the reader may judge for himself whether, in all the circumstances, these observations exhibit want of comprehension on the part of the American authorities, or a determined intention to get on with the business. The writer, however, cannot refrain from interposing the opinion that two such statements of critical importance could scarcely have been explained away in detail by a responsible official of any Government, on a Sunday evening, on the spur of the moment and without consultation, unless their substance had been anticipated, and a clear course of action marked out in advance. The despatch follows :—

WASHINGTON, Oct. 28.—The latest utterance of Premier Poincaré with regard to the professed determination of France not to agree to any reduction in the German debt are not occasioning concern to official and diplomatic Washington.

Nor is it believed that the French Premier's statements are going to interfere with the new element in the reparations situation—the fact that there will be an international committee of experts appointed to serve in an advisory capacity to the Reparations Commission in connection with determining German capacity to pay and the working out of a financial plan of payments by Germany to the reparations Powers.

The important thing, in the opinion of officials here, is that the French have agreed to come into the proposed economic parley of experts in a committee inquiry limited to definite objects and not what the French Premier or other French officials may be saying now for political effect and home consumption in France.

As for M. Poincaré's statement in his campaign speech, as well as in the French Foreign Office *communiqué*, that the French Government will not agree to arbitration of the German debt, no official

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in Washington expects the French Premier to declare in advance of the work of the proposed economic committee of inquiry that France would accept reduction of that debt. If Premier Poincaré were ready to announce to the world now that he would do the things the committee of experts may recommend, it was pointed out to-night, there would be no need for the appointment of experts as proposed in the Hughes plan.

The Committee of Experts was proposed by Mr. Hughes originally as an alternative in the event that statesmen failed to agree, and failure of statesmen to agree is what has forced the ultimate resort to the Hughes proposal. The Washington view of the Poincaré statements, which are regarded as quite natural coming from a Premier in his position and allowing for all the circumstances connected with the reparations problem, is that the French Premier is merely seeking to appear to be taking a firm stand against reduction and putting on a bold front in advance of the meeting of the experts, a front intended and calculated to obtain the best possible arrangements for France.

In other words, this is no time to split hairs. To debate over technicalities, even to debate over substance, is suicidal. But whatever it promises, for whatever it may or may not accomplish, the Conference ought to be held without delay. Its power, like the power of the Crusaders, will be measured, not by its initial strength, but by the enlistment of public opinion as it moves forward.

IV

IT would serve no helpful purpose to make a list of the obstacles which stand in the way of holding any Conference deserving of the name. These obstacles are certainly more vividly understood abroad than in the United States. Germany entered the china shop not many days ago when Stresemann spoke of the close agreement which exists between Great Britain and his own country as to the illegality of the Ruhr occupation. A perfectly German and perfectly stupid remark. Thereupon, not satisfied with that one spectacular exhibition of diplomatic ineptitude, their Ambassador to the United States, returning to his

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post, declared that Germany could not pay a single penny. This crisis somehow safely past, we may now breathe freely until the moment when France, persuaded into a Conference against her will, feels that a time has come when fundamental issues can no longer be avoided. For Conferences, like formulas, often give the appearance of agreement in matters concerning which no real agreement exists. And, like formulas, they are in danger of disintegrating when the dispute which brought them into being emerges once more from the closet to sit at the Conference table. It is here regarded as almost certain that, sooner or later, a revolt will take place. On the other hand, the view seems to be shared by the American and the British authorities that the bare chance of an initial agreement with the French is worth a Conference. It may be sabotaged before it ever is convened, provided Poincaré continues in the tone and temper of his Sampigny broadcast; it may be dissolved midway in its business if Poincaré doesn't like the look of things. When that day comes the fate of the Conference will depend upon the quality of leadership displayed in Washington and in London, and partly upon the degree of support which the theory of conference has won in Great Britain and in the United States.

The policy of the American Government is, as usual, threatened by the irreconcilables. But with this important difference, that there now appears to be a sharp division within their hitherto unbroken ranks. Senator Borah has approved the course of the Administration, while Senator Medill McCormick, the greatest "unofficial observer" of them all, has curiously modified his intransigent attitude. Having read the Sampigny speech, he rode post-haste to Washington to shake his finger in the faces of the President and the Secretary of State. Knowledge of what transpired has not yet been vouchsafed, but, when all was said and done, Senator McCormick advised the reporters that nothing might be expected of the Conference, and that

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anyhow George Reynolds of Chicago would make a better American representative than certain others whose names were alleged to be under consideration. He made several classical allusions in the course of his interview, but failed to refer to the mountain which labored to the extent of a ridiculous mouse.

There are, nevertheless, two objections which, if the Irreconcilables were united, would provide the sinews of another inter-party war. Secretary Hughes has agreed that an American delegate might properly sit on a body under the Reparations Commission—in spite of a certain Congressional restriction appended to the Senate's ratification of the German Treaty :—

The United States shall not be represented or participate in any body, agency, or commission, nor shall any person represent the United States as a member of any body, agency or commission in which the United States is authorised to participate by this treaty unless and until an Act of the Congress of the United States shall provide for such representation or participation.

The Secretary of State, in avoiding this prohibition, is doubtless sure of his legal ground, but a devoted Irreconcilable could make him uncomfortable. A second objection rests on the assertion that Mr. Hughes encroached upon the premises of Congress and of the Debt Funding Commission when he held out the hope of moderate terms in the essential settlement of foreign objections.

Yet these two objections are almost sure to fail, not only because of lack of unity among the confirmed objectors, but because of a new figure in the White House. It is too soon to try the measure of Calvin Coolidge, for hardly three months have gone by since Harding's death, nor has Congress been in session. He has not really had his mettle tested. Signs are not wanting, however, that this taciturn Vermonter has a character of his own, wherein exceptional political sagacity is joined with determination. When, by accident, he came into Presidential authority, little was known about him, save that he was a singularly silent man—

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Washington hostesses have wept bitter tears over the failure of dinners where this glum man was a guest—that he had taken a firm and successful hand in suppressing the police strike as Governor of Massachusetts, and that he was pursued by luck. Little more is actually known about him to-day. But rumours float up from the Capitol of quiet conferences with politicians summoned from the four quarters of the Union, conferences at which the President, in the *rôle* of party leader, lays down the law of Republican solidarity—and gets it. Either he has a strange knack of doing the right thing, or else the right thing has a strange knack of happening. When the coal strike of last August confronted the new President he calmly appointed Governor Pinchot of Pennsylvania to settle it. The strike was ended within a week, on the simple principle that both the employer and the employee should receive substantially their demands, and that the consuming public should pay the price. As luck would have it, credit for the prompt settlement of the dispute is shared by the President, but the increased cost of coal per ton is known as Pinchot's dollar! Can it also be luck that Senator McCormick, after fanning the air with his arms, visited the White House for lunch and emerged smiling; that Secretary Mellon, who has kept off the public stage during the past two and a half years, now suddenly steps forward to oppose whatever Presidential aspirations Pinchot may have; that Senator Couzens, for years a business associate of Henry Ford, decided that it is time to make sport of the Ford boom? "I love him as much as it is possible for one man to love another." But—"I want to save Ford the greatest humiliation of his career and save the United States Government the humiliation of having him as President."

Congress meets early in December, and when it is assembled the President will be confronted with a new set of problems; the Bonus Bill is sure to reappear, and the radical group from the Middle West will press their claims for agricultural relief. In the meantime, during these

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first months of office, Coolidge has gradually taken the reins into his own hands, steadied the runaway party, and settled deeper and deeper into the driver's seat. He is undoubtedly a candidate for the Republican nomination, and he will undoubtedly receive it unless he should commit some capital blunder. Every step in the consolidation of his power is a good step, for it corrects confusion within the party and gives added strength to his domestic and foreign policy.

V

THE state of public opinion in the United States is especially hard to gauge at this juncture, for the final agreement to a Conference has not yet been drawn up, nor has there been time for public feeling to become articulate. In general, however, it may safely be said that Poincaré has alienated a certain number of friends by hedging his acceptance about with restrictions ; even though the nature and effect of these restrictions may not have been subjected to the careful analysis they deserve. It is enough, in the minds of some, that a principal European country—one of those which has turned to the United States at intervals during the past three years for understanding and help—should be “fussy and particular” about the exact form in which this help is given. Others, more rational in their judgments, have been forced out of sympathy with France by her intrigues in the Rhineland. A strong case, they persist, could be made out for the exact fulfilment of the Versailles Treaty, and a successful one for the invasion of the Ruhr. But the Rhineland affair is a bad blot on the French record : her hands are no longer clean in the court of equity.

So feeling has moved away from the side of France ; and since British opinion as to the right course on the Continent is diametrically opposed to that of her ally, it would be natural to add that American sentiment is now more

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nearly on the side of Britain. And so it is. Practically every difference which existed between England and the United States has been amicably resolved, and the honorable act of meeting the American debt stands out in still sharper relief as the probability of other debt collections grows dim. Yet, if truth were told, sentiment in this country has been less influenced by those diplomatic accords than by a certain "discredited" person called David Lloyd George. At every stage of his American visit he has enjoyed a welcome, genuine to its very core. The fact that he had never before visited the United States did not mark him as a stranger. On the contrary he has long been a household figure : poor boy, struggling lawyer, successful politician, prodigious worker, and great organiser. And he didn't know where Teschen was : nor do we ! Lord Robert Cecil touched the American intelligence and conscience. Clemenceau made an appeal for sympathy, but Lloyd George will carry away with him a kind of affection which people of one country rarely, if ever, bestow upon the citizen of another. Americans of high and of low degree found him easy, natural and likeable. The substance of his message will perhaps be forgotten : but the warm, friendly feeling which his personality aroused will have a lasting beneficial effect upon Anglo-American relations.

November 1, 1923.

NOTE.

"And a still further possibility exists that, between press and publication, new facts will be disclosed which will qualify the value of all that has been written. . . ." A rather academic introductory sentence, but one which has suddenly taken on meaning. For on November 1, at a place called Nevers, the French Premier made a statement which threatens the life of the unborn Conference.

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The whole project is imperilled by these surprising words :

Let an examination be made to discover what Germany can pay at this moment or during a short space of time. That is well. That is the *rôle* of the Reparations Commission. But let it not attempt either to change the position it has already taken regarding the total amount of our credits, or engage in future attempts indefinitely.

And the French Foreign Office, through a *communiqué*, announced that the scope of the Commission's inquiry must, according to the Premier, be restricted to

1. Germany's present capacity for payment.
2. New methods of payment.
3. The renovation of German finances.
4. A new monetary system.

This morning's Washington despatches all carry a story of consternation in highest circles, and convey the impression that the Hughes plan has been struck in a vital spot. Concessions had been made in permitting the Conference of experts to derive its authority from the Reparations Commission, in overlooking Poincaré's provocative statements at Sampigny to the effect that everything must be done treaty-wise, and that France would never yield a dollar of her reparations bill, whatever might be the findings of the Inquiry as to Germany's capacity to pay. But when, at Nevers, Poincaré placed restrictions, not so much upon the free reception of the Commission's report by France, but upon the scope of the projected investigation—then Mr. Hughes' back went up.

Yet neither the problem of European peace nor that of Republican foreign policy can be settled by temper. Instead, three possible alternatives present themselves—one of which the Administration must pursue :

1. The enterprise might be abandoned. But here is confession of defeat, and every effort will be made to avoid it. M. Poincaré's real interest should run along

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identical lines : for if the Conference breaks down through his recalcitrance, this proud and politically minded Administration would make the United States understand, from one end to the other, that France and France only bears the responsibility for the third American failure to help compose the state of Europe.

2. A Conference might be called on the basis of Mr. Hughes' plan, with France excluded. Such an inquiry would be of doubtful value both in its effect on French claims and in its influence on international opinion.

3. Agreement might be reached on some basis which would permit M. Poincaré to save his face, and yet allow the inquiry to proceed with full scope.

The first and second alternatives would be unproductive, according to the American view, and would unquestionably accomplish the isolation of France. The third alternative, promising a fair chance of reaching a conclusion, would, because of that chance, be acceptable to Washington. France would save herself from the dangerous necessity of standing alone. Maintaining its original proposal, but prepared to allow still further concessions in detail, the Government of the United States is bending every effort to make port through the fog of evasion and delay. The outcome lies on the knees of Poincaré, and the ultimate responsibility hangs over his head.

The United States of America.

November 2, 1923.

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GREAT BRITAIN AND THE 'IRAQ :

AN EXPERIMENT IN ANGLO-ASIATIC RELATIONS

*The following article is from a correspondent with intimate
knowledge of conditions in Mesopotamia.*

THE responsibilities incurred by Great Britain towards the 'Iraq have been, and to some extent still remain, the subject for genuine misgivings, not alone because of the immediate expenditure involved, but also because of a widespread apprehension that we should be preparing for a prolonged occupation of the country on the Egyptian model. This doubt could scarcely survive if the actual situation were more completely understood. From first to last the declared policy of His Majesty's Government has been as consistent as it has been generous. By the accident of war British forces destroyed the government which had existed in the 'Iraq for three hundred years—a government which, though inefficient and corrupt, had preserved some measure of law and order in the country. With the disappearance of the Turk every semblance of administration vanished. The larger portion of the officials were not men of local birth, and followed the retreating armies ; hastily a government of occupation under British officers, with what native assistance could be secured, was organised by Sir Percy Cox, and with British troops in support the 'Iraq knew, even in war time, such tranquillity as it had not enjoyed for centuries. But that British occupation was

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not the end in view was clearly enunciated after the capture of Baghdad and repeated in yet more emphatic terms on the conclusion of the armistice. If at that critical moment, when public expectation awaited a rapid fulfilment of official utterances, it had been possible to give them such material shape as would have satisfied in some measure the national aspirations which we had awakened, it can scarcely be doubted that the goal would have been more speedily attained. As it was, the Civil Commissioner had been called away in the early part of 1918 and entrusted with another task; it was not until his return in the autumn of 1920 that development began on lines which would relieve Great Britain of the burden she had been forced to shoulder. It may be true that the delay had engendered strife and given reason for incredulity on the part of the Arabs as to the trustworthiness of declarations which had kindled national aspirations, yet out of strife grew a better understanding, and incredulity died away before the rapid progress of the succeeding years.

Within a month of his arrival Sir Percy Cox had called a provisional 'Iraq Government into being in the shape of a Council of Ministers presided over by the leading Sunni magnate of Baghdad, and composed of well-known 'Iraqis representing all classes and denominations of the population; but ultimate responsibility still rested with the High Commissioner, and the next step was to replace him by a ruler of Arab race. This was done when in the summer of 1921 the Amir Faisal was chosen king by a plebiscite of the people. It remained to conclude with him and his Cabinet a treaty which should regulate the relations of Great Britain and the 'Iraq for the duration of the mandate, and the treaty was signed, subject to ratification by Great Britain and by the Constituent Assembly of the 'Iraq, in October, 1922. The mutual engagements therein laid down were to terminate in 20 years' time, but by a subsequent protocol, signed in April, 1923, the period was reduced to four years after the ratification of peace with

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Turkey, with the provision that it might be still further reduced by the admission of 'Iraq into the League of Nations at an earlier date, when the mandatory relationship would automatically cease. How these several stages have reacted to the relief of the British taxpayer can be judged by the expenditure charged on the Imperial exchequer during the last three years. According to the latest figures available, the statement made by the Duke of Devonshire in his speech to the Imperial Conference, the expenditure in Palestine and the 'Iraq during the financial year 1921-22 was over 26½ millions ; in the current year it is estimated at 7½ millions—a figure, it may be added, which would have been considerably less but for the Turkish threat of invasion in the north. When the Treaty of Lausanne has been ratified, the four years' term of the treaty will begin to run, with its obligation to extinguish within that time all Imperial expenditure by the progressive reduction of British forces in the 'Iraq.

I. THE ADVISORY STAFF

IN broad outline the existing organisation of the administration is as follows :—With the exception of purely technical officers charged by the 'Iraq Government with executive functions, there is no British official who issues an executive order. The King and his Council are responsible for the government of the country, and their decisions are carried out by native officials. A British adviser, with one or more assistants, is attached to each ministry, while in the provinces British inspectors maintain a close touch with local affairs, on which they report to the Adviser and the Minister of the Interior. The High Commissioner is in receipt of their periodical reports to the Ministry, as well as of the decisions of the Council, on which he offers his comments and advice, or, if necessary, in matters which touch British or other foreign interests, his objections.

The Advisory Staff

He is also charged with the duty of conducting foreign relations.

The combination of British and Arab officials in the service of the 'Iraq Government has resulted in an administration with which there is no reason to be dissatisfied, but it must be borne in mind that the fair point of comparison is not with European institutions but with the former Turkish regimen. Those who knew the 'Iraq of those days will remember that beyond the area of the towns and of the settled cultivators in their vicinity the Ottoman writ did not run ; no roads were safe, no foreign traveller or native of distinction moved without an escort, and those who could not afford to pay for such protection carried arms for their own defence. Even the Tigris route, then the only channel of communication between Baghdad and Basrah, suffered frequent interruption from tribes, often rightly rebellious against intolerable misrule. At no time since the British occupation has traffic on the river been disturbed, nor is there any likelihood of insurgence among its tribesmen. Though the hold of the Arab Government over certain of the wilder areas in the Euphrates basin is slender, the roads are safe. British officials travel in security and are hospitably entertained by the *shaikhs* ; Arab landed proprietors go out by motor car to visit estates which they had formerly been content to leave to the care of agents, while in many regions, until recently wholly lawless, the inhabitants go about their labours unencumbered by a rifle. If public security is, in such countries as the 'Iraq, the first test of administrative efficiency, then the 'Iraq Government, with British assistance, has not been found wanting.

The people are very conscious of the value of that assistance and of the spirit in which it has been offered. There is confidence that "the British mean well by the Arabs," to use the words in which the sentiment has long found expression, and when the duration of the treaty was cut down there was a murmur, not in the provinces alone

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but in some advanced circles of the urban intelligentsia, that the time of tutelage was too short. The 'Iraq Government is offering, however, to British employees, whose retention in certain posts is stipulated in an agreement subsidiary to the treaty, contracts of engagement varying from five to fifteen years, that is to say for periods longer than the maximum term of the treaty.

An advisory position is no easy task. It calls for a constant exercise of tact, forbearance, and self-denial, to say nothing of a capacity for realising that infant states will insist on running before they can walk, and that, every adage to the contrary notwithstanding, they must within the limits of safety be allowed to do so. The eager advance may entail many a tumble and many an unostentatious resetting of tottering feet, such assistance to be rendered in a manner which will enable the stumbler to regain poise without diminution of self-respect. If it were not that there would appear to be ever an unfailing number of Englishmen who are content to do the work, yet forego the credit, the British staff in the employment of the 'Iraq Government might be accounted exceptional; but if such praise would be excessive, at least it may be said that, through years of complete uncertainty as to whether the British Government would be willing or the 'Iraq Government able to assure their future, they have not fallen short of the devotion expected of them. Civil services are not usually composed of persons of ample private means, nor has anxiety for the welfare of wife and children been inconsiderable. Some have been obliged, in the absence of any guarantee, to return to services from which they had been temporarily seconded, or to accept offers of sure employment elsewhere, and the 'Iraq has lost men whose knowledge of the country and language has made them difficult to replace; but many have been ready to take the risk, and if they have served the 'Iraq Government well their service in carrying out the task set them by their own Government must also be reckoned to them.

Military Assistance

The advisory staff is paid by the 'Iraq, which is also charged with a half share of the emoluments of the High Commissioner and his staff. The Imperial exchequer is responsible only for military assistance, accorded at a rapidly diminishing rate, and for the remaining half of the salaries of the High Commission during a maximum period of four years. This measure of financial support, together with moneys expended in Palestine, has recently been described by the Editor of the *Spectator* as a hemorrhage from which the British Empire will bleed to death. Hyperbole is a recognised literary device, but it should be employed with greater caution.

II. MILITARY ASSISTANCE

THE duties of the British forces in 'Iraq are to co-operate with the 'Iraq Government for the maintenance of security on the frontier and the preservation of internal order. That Government, conscious of the fact that it will shortly be thrown upon its own resources, is training, with the assistance of British officers, a national army which is now something under 5,000 strong, and has organised in the same manner a police force which stands at about 6,000. The area administered is over 100,000 square miles, and corresponds almost exactly to the 'Iraq of Turkish times. Under Ottoman rule it was garrisoned by the 6th Army Corps, which in 1905 was estimated at 20,000 men, though it is unlikely that it amounted to more than from thirteen to fifteen thousand, while the police force, including mounted gendarmerie, was as large as, if not larger, than that which the 'Iraq Government has at its disposal. Moreover there was no external enemy to fear, and it may be added that internal order was inadequately maintained. At all events, on the Turkish parallel, it is to be expected that the 'Iraq Government, with military resources at present so meagre, should be obliged to depend, during the

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transition period, upon military assistance in carrying out administration. Tribal lawlessness, which was formerly a normal and universal condition, has not in five years of improved government ceased altogether to exist, the fact being that in some areas there are deep seated agrarian grievances which can be righted but slowly, while in all we have an untutored and hot-blooded people liable to sudden gusts of anger ; some old feud will be revived, some fresh outrage committed, leading to a quick recourse to arms in which during an hour's fighting twenty or thirty lives may be lost. The Turks had no means of dealing with these incidents ; they sat impotent while one feud bred another, retaliation answered retaliation, till a whole country side would relapse into chaos. In the end they would laboriously gather their resources and despatch a column of a couple of thousand men to the scene of disturbance. Not infrequently the tribesmen, having the advantage of being on their own ground, with dwelling places as mobile as their beasts of burden could make them, the column would pursue an ever-vanishing objective and disintegrate in a remote marsh. Before the British occupation of the lower Euphrates, that region had been for many years without effective government. Each chieftling lived in his own mud fort, carried on his private wars with his fellows, looted the passing merchant or traveller, and defeated the best endeavours of the tax collector. Such conditions have been checked. Owing to the composition of the British forces in the country, assistance when required by the Government must be given by air and in a land of imperfect communications it is the only way in which it can be given swiftly and therefore efficaciously. Long before the local brawl has developed into wide-spread disorder, the R.A.F. has done the work which the Turkish column would have failed to accomplish, and has done it with a minimum expenditure, whether of life or wealth. But it acts only under the strictest safeguards. An application by the local Arab official, backed by the British inspector, is submitted

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to the Adviser to the Ministry of the Interior. In consultation with the Minister, he weighs and considers it before it is submitted to the High Commissioner, by whom alone it can be communicated to the air officer in command. Even then no action is taken without a preliminary warning in the form of an air demonstration which scatters the orders of the Government among the offenders. In the majority of cases the demonstration is sufficient; the breakers of the peace give themselves up to the local authorities and submit to the penalties imposed. In rare instances the warning is disregarded and the threatened action is taken, usually with the co-operation of the police. Loss of life is in all cases small and is often confined to domestic animals, but the mud fort will be razed to the ground, and the punishment has never in the end failed to be effective. Nor is it resented. The tribesman takes a shrewdly humorous view of his own shortcomings and of the duty of the administration with regard to them. When the business is over he will eye the tumbled mud walls of his fort and observe dispassionately that their state is due to "a misunderstanding with Government." "Please God," his official interlocutor will reply, "that it will not occur again." "Please God!" he returns heartily, leaving the Almighty responsible for any subsequent inclination on his part to cut off his neighbour's water supply or flout the orders of the *Qaimmaqam*.

But the Air Force has known how to practise the acts of peace as well as those of war or retribution; it has given to the 'Iraq the first direct means of communication with Palestine, Egypt and Europe in its fortnightly mail service. Very skilfully its officers have brought the nomads of the desert to regard their passage with friendly eyes. There was an occasion when a Beduin chief was found wounded in the depths of the wilderness and spirited to the hospital in Baghdad, where, as deservedly good luck would have it, he made quick recovery, and returned to spread the tale of his adventures through the black tents. Since that time,

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if a plane is forced to land in the neighbourhood of a Beduin encampment, it is a guest entitled to all rights of hospitality, and at night the Arabs will set a guard round it, asking no reward for their attentions. Correspondingly, they expect amicable services, which are not withheld, as when the ruling *shaikh* of the 'Anizah sent a request for a doctor to attend to his daughter, whom he stated to be mad, daily medical assistance dropped from the sky with a psychological effect, it may be surmised, as valuable to the sufferer as his science.

To return to themes less miraculous, a not unwarrantable optimism points to the belief that the development of more peaceful conditions even in remote tribal areas of the 'Iraq will be comparatively rapid. First and foremost, the Arab is a money maker. As the possibility of gathering wealth increases, with a scientific system of irrigation, improved communications, wider markets and greater skill in production, he will readily learn that it is better to be a citizen than an outlaw, though it may imply some loss of personal liberty in the pursuit of quarrels and a reluctant acquiescence in the demands of Government. Not only is he a money maker, but he is also a money spender. Rarely does he hoard his wealth; he scatters it joyously and on the whole reasonably. He is quick to avail himself of such comforts and conveniences as the western world brings to his notice. The half-naked marshman will carry his coffee in a thermos flask when he goes out in his *mashbuf* to cut reeds; his overlord, the wealthy *shaikh*, whose fat rice lands enable him to gratify more expensive tastes, is beginning to discard the *mashbuf* for the petrol-driven launch, and has already replaced his creaking irrigation lift by a petrol pump. Neither the dust nor the mud of the 'Iraq discourages the sale of motor cars. Taxis ply for hire in the larger towns, and the *shaikhs* of the desert come in to conduct their affairs with Government in a heavily laden Ford, for a man of distinction must travel with retainers, and he travels with as many as he can pack into his vehicle.

Mosul and the Turks

The climax of irreconcilability in this rapidly changing universe is reached, perhaps, in the case of the great nomad chief of the Syrian desert, Fahad Beg, *shaikh* of the 'Anizah—he whose daughter was so unfortunately afflicted. This magnate, whose wealth is reckoned in camels while his life is cast in the same mould as that of Abraham, Isaac and Jacob, goes out by car to join his black tents in the spring pasturages.

The opening up of the 'Iraq and the training of its inhabitants will in time take the place of coercion, but roads, irrigation, canals and technical schools require money, and if foreign capital is to be attracted the 'Iraq must show herself solvent. The Government engaged last year in the strenuous task of balancing its budget, and it succeeded. Expenses were cut down, salaries were diminished, the King relinquished a portion of his civil list—it is true that the Education Department and the service of Public Health were pared to the bone, although schools and hospitals are demanded from every quarter; but the object was achieved. Expenditure on the army could not be denied, and has been increased; in the opinion of many a voluntary army may prove too expensive, and luxury and the National Assembly will in the end be forced to solve the military problem by a mild form of conscription. What shape that problem will take depends largely on the relations of 'Iraq with her neighbours, more especially with Turkey, and it is the Turkish claim with which she is now faced.

III. MOSUL AND THE TURKS

THE issue which was foreshadowed in the National Pact published at Angora in 1920 is now familiar through the negotiations at Lausanne. The Kamalists demand the return to Turkey of territory embracing the former Wilayat of Mosul on grounds which were disposed of

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by Lord Curzon in his vigorous rejoinder. In Mosul town and its surroundings the population is almost exclusively Arab, and very largely Christian Arabs; to the north, along the existing frontier, lies a Kurdish fringe where the Kamalists have unavailingly attempted to foster dissension; to the east runs a string of small towns, from Arbil to Kirkuk, Kifri and Mandali, the inhabitants of which are predominantly Turcoman, but these are embedded in Kurdish districts containing also a sprinkling of Arabs. The Kurds, whether within or outside 'Iraq, are not on good terms with the Turks, and are well aware that at their hands they can have little hope of sympathetic treatment; nevertheless troubled waters are their natural element, and who knows but that in playing off the Arab against the Kamalist some personal if not some national benefit may accrue to the indulger in this agreeable pastime? Thus a prominent Kurdish chieftain in 'Iraq despatches periodical couriers impartially to King Faisal, the British authorities, and Mustafa Kamal Pasha, offering to each in turn his life-long devotion on conditions to be determined by himself, while in lesser walks of life the brigand wanted by the 'Iraq Government becomes a fervent pro-Turk. On the other hand, Kurdish chiefs in Turkish territory turn for help to their brothers in 'Iraq when the Kamalists attempt to tighten control.

Geographically, ethnologically and economically, as Lord Curzon pointed out, the Kamalist demands are unjustifiable. Mosul Wilayat has always formed part of the 'Iraq, connected therewith by the water-way of the Tigris and separated from Anatolia by a mountain barrier. "Mosul is our head," declare the Arabs. "Cut off our head and the body perishes." And indeed those British officials whose memory goes back to the year 1917, after the occupation of Baghdad and before that of Mosul, will remember the difficulties experienced, and at great expense overcome, in feeding the southern population when it was cut off from the northern wheat-producing plains which are the granary

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of the land. If on racial principles the Turkish urban population in part of the disputed territory might furnish some justification to the Kamalists, the Arabs retort by pointing to the large unredeemed Arab population beyond their frontier—Nisibin wholly Arab, Mardin largely Arab and Christian, Diyarbakr one-third Arab—whose right to inclusion in the 'Iraq might be put forward as strongly as the right of Turkey to reclaim Kirkuk. But the Kirkukli is not dealing in theories. He knows that his grain and tobacco can find no market except in Baghdad, and he wisely determines to despatch his deputy along the same road, to the 'Iraq Constituent Assembly and not across the mountain passes to Angora. For in the elections to the Assembly, now nearing completion, Turkish township and Kurdish tribe are alike preparing to choose representatives.

It is for the British Government to consider whether in the forthcoming negotiations there is not an obligation to secure inclusion in the 'Iraq of an enclave inhabited by the Assyrians beyond the boundary originally fixed by the Treaty of Sèvres but within the area now administered from the 'Iraq. This sturdy race of Christians which in 1916 threw in its lot with the Allies and after two years' heroic resistance was driven out of croft and field by the enemy and forced to seek asylum with us in the 'Iraq, has in great part during the last three years drifted back into the mountains, relying on promises that we would do our best to safeguard their interests. Enrolled in the Levies under British officers they have given material assistance in the defence of the frontier, repaying by their loyalty and valour the benefits they received in exile, and thereby piling up the Turkish score against them. With the 'Iraq Government there is no question that they could come to satisfactory terms, but to hand them back to the Turks means death or renewed exile under circumstances yet more stringent than those of 1918 when the British authorities were in a position to help them. Like all ardent nationalists the Arabs are apt to consider that their

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sentiments should appeal to their fellow citizens of divergent race, yet the 'Iraq Government has been tactful enough to recognise that the Kurdish population must be treated with due consideration. Local officials are selected among local men, administration and education are conducted in the local tongues, nor is there any bar to the employment of men of Kurdish or even Turkish origin in Arab provinces, in the 'Iraq army or in the central Government. A Turk holds high office in the Ministry of Finance, while it may be noted that there is no member of the Cabinet who commands greater confidence and respect than the Minister of Finance, who is a Jew of Baghdad. For with the Arab, if pride of race runs high, deep-seated racial or religious fanaticism is absent. He lives and lets live and he does both with a cheerful indifference to the manner in which his neighbour chooses to conduct his private existence. Even in Turkish times a massacre of Christians never occurred in the 'Iraq; a rumour of orders from Constantinople ran through Mosul in 1909 but it was not heeded, and in 1915 stragglers from the pitiable convoys of Armenians found refuge and kindly treatment in the tents of the Beduin.

The attitude of the 'Iraq Government towards its Turkish and Kurdish subjects is in sharp contrast to that of the Turk towards the Arabs, when in the effort to produce a homogeneous people, the very children in the primary schools listened uncomprehendingly to lessons given in Turkish. The Turks held all the honours in the pack; if they had played skilfully Arab nationalism must have been beaten. Civilisation was presented to the quick Arab mind in a Turkish guise; the Turkish capital was the only centre of enlightenment which the Arab knew, and it exerted on him a dazzling influence; to speak and write the Turkish tongue with elegance was the hall mark of the educated man who held a diploma from the colleges of Constantinople; among the higher Ottoman officials of Arab race the domestic circle became Turkish with the

Mosul and the Turks

Turkish wife from Stambul and the children half of Turkish blood.

Yet with his throttle hold on education, with the glamour of his history and the religious fervour which surrounds the Khalifate, the Turk failed to denationalise the Arab. How signal was his failure it would seem that Angora has yet to learn and it is a lesson which should be inculcated by the gathering of the Constituent Assembly.

For over two years the general elections have suffered delay. Was it fair to ask the northern population to pronounce openly in favour of the 'Iraq while the Turks were massing troops on the frontier with no corresponding measures on the part of the mandatory Power? Whereas a cautious reticence in the expression of opinions could have no untoward consequences, it was very certain that if the Turks were to be permitted to return those who had declared themselves against them would lie on an uneasy bed. But in spite of intensive Kamalist propaganda, the Mosul province had shown itself enthusiastically loyal to the King on the occasion of his first visit in 1921, and when, in the beginning of 1923, the Turkish menace grew more insistent and alarming, the presence in Mosul of His Majesty's youngest brother, the Amir Zaid, had been the signal for all elements, Kurdish as well as Arab, to rally to him. At the same time anxiety was relieved by the despatch to Mosul of British and Arab reinforcements, and the Amir was able to enrol in the desert an irregular force of tribesmen under Arab officers to protect, if necessary, the western flank. The re-establishment by British forces of the authority of the 'Iraq Government in Rawanduz, which had been occupied by a tiny band of Kamalist adventurers, together with Lord Curzon's determined attitude at Lausanne, went still further to restore confidence, and King Faisal after a second visit to Mosul in the summer of 1923 felt confident that the people would no longer be afraid to speak their mind.

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IV. THE HOLY CITIES AND THE ELECTIONS

THERE was, however, another stone of stumbling which, though it affected the Sunni north but little, might do much to trip the feet of the Shi'ah south. A group of leading Shi'ah divines inhabiting the holy cities of Najaf and Kadhimain, though all of Persian nationality, had set themselves with determination to oppose the Anglo-'Iraq Treaty and all steps connected with it. As a preliminary move they issued, towards the end of 1922, a *fatwah*, or religious decree, pronouncing it unlawful for Moslems to take part in the elections to the Constituent Assembly, one of the duties of which was to ratify the treaty. Their conduct was entirely consistent with their past political history. The Turks had successfully ignored their tacit claim to theocratic control, but a new and necessarily weak Government might offer golden opportunities, provided that it could be lopped of exterior support such as that offered by Great Britain. Thus the opposition of the *mujtabids* to the treaty was in fact its best credential. Nevertheless the appearance of the *fatwahs* was followed by a period of hesitation. The registration of primary electors had begun, and though in the greater part of the country, not excluding the south, it went on uninterruptedly, in the Shi'ah holy towns members of the supervising committees resigned or declared themselves afraid to put their names to the rolls of voters which it was their duty to endorse, and in places those rolls were meagre. It was very noticeable that the Shi'ah tribesmen were in general unaffected, and among their *shaikhs* ran a murmur that men of religion should refrain from interference in the affairs of a world to which, *ex hypothesi*, their spiritual pre-occupations had precluded them from devoting sufficient study. Notwithstanding these encouraging symptoms, the 'Iraq Government was reluctant to risk the uncertain consequences of a decisive break with the *mujtabids*.

The Holy Cities and the Elections

Work on the electoral rolls was suspended and by private negotiation a compromise which both sides could accept was sought. The endeavour failed. In June, 1923, one of the *mujtahids*, Shaikh Mahdi al Khalisi, reiterated the original *fatwah*. King Faisal was on tour: he had been warmly welcomed at Mosul, his reception on the lower Tigris and at Basrah and Nasiriyah had been no less enthusiastic, and everywhere he had spoken in forcible terms on the duty incumbent on 'Iraq citizens to enter heartily into the elections. Was he to accept the direct challenge of the renewed *fatwah* and permit a spiritual king to claim the political allegiance of his subjects? Shaikh Mahdi's defiance was covered by a clause in the electoral law which laid down that any attempt to hinder the course of the elections or to terrorise others into refraining from them was a penal offence, while the hands of the 'Iraq Government were strengthened by a recently enacted immigration law empowering them to deport foreigners from the country for sufficient causes. Action was taken by a unanimous Cabinet under these laws. Shaikh Mahdi was arrested in his house in Kadhimain and sent by sea to the Hijaz to perform an involuntary pilgrimage. Seldom does an oriental Government suffer from a bold stroke, and in this case the majority of 'Iraqis had been praying for months past that the Cabinet would nerve itself to defend its policy. Once embarked on this course, the King and his Ministers did not flinch. When eight of the *mujtahids* of Najaf declared their intention of migrating to Persia as a protest against the banishment of Shaikh Mahdi, their journey to their native land was politely and expeditiously facilitated. Two of these have since crept back unremarked and Shaikh Mahdi has been allowed to join his colleagues in Persia—it is hinted that they are not prepared to give him a cordial welcome.

Immediate orders were issued for the resumption of elections. The old rolls were reopened and received numerous additional names, the supervising committees

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turned cheerfully to their task, candidates came forward without demur, and the secondary elections are at the moment of writing terminated. They would have been completed earlier but for a doubt which arose as to the propriety under the electoral law of registering settled tribesmen. The law, having regard to the fact that under Ottoman rule no tribesman had registered and that the whole body of cultivators, from whom the main revenues of the State are derived, was thus left unrepresented, had made special provision for twenty tribal members elected by the *shaikhs*, but it had been the intention of those who framed it that such tribesmen as chose to register should have the right to do so. The Cabinet rightly decided the question in this sense. In point of fact tribal registration has reached so high a figure that the agrarian population, if it knows how to use its opportunity, will no longer be dominated in the legislative body by the inhabitants of the towns.

In this and in other ways the general elections of 1923 have no parallel in previous history, when the Committee of Union and Progress might and did appoint a Turk of Erzerum to represent an Arab constituency. The 'Iraq is now divided into three circles, corresponding to the old Wilayats, and no inhabitant of one of these may stand in another. Local men, known to their constituents, are coming forward, Kurds in the Kurdish areas, Turks in those which are Turkish, all prepared to declare themselves 'Iraqi subjects. It is the most significant answer to the Kamalist claims which could be returned by the country. And in a recent utterance in the vernacular press the Prime Minister has reminded his compatriots in the clearest terms that one of the duties of the Assembly will be to ratify the treaty as it stands.

What Great Britain Gains

V. WHAT GREAT BRITAIN GAINS

AS far, therefore, as the 'Iraq is concerned, the hope is justified that the support given by His Majesty's Government may suffice for the creation of a native and independent State ; it is fair to ask what advantage will accrue to Great Britain in return for the hemorrhage of which the Editor of the *Spectator*, and others with whom he finds himself strangely consorted, have spoken in such vehement terms. Apart from transcendental considerations as to how far British political credit would suffer bankruptcy in Asia if she were to go back on a pledge so resoundingly given, or the practical questions as to what the bag and baggage policy of retreat through a rising tide of chaos would cost, a material sop may be offered. During the war the British Government incurred large expenditure on ports, railways, roads and bridges and other permanent works undertaken for military purposes. Even if a small part of this outlay could be recovered by piecemeal removal, it is manifest that removal could not be carried out by a retreating army. But the 'Iraq Government is willing to acquire, under favourable conditions, what would otherwise be unsaleable. The sum in question amounts to several million pounds ; it is a point to which adherents of the bag and baggage policy do not frequently refer.

But it is a small point compared with the deeper issue as those who have watched Oriental development see it. Before the war they had recognised a marked insurgence of thought in Asia rejecting Western domination. To a large extent it was a tribute to British administration. We had imposed decent government, we had taught the people the ways of it, we had educated them and introduced them to that unrest which is growth ; and they had grown. The instruction had not always been suitable, the growth had at times been spasmodic, spurred here unnaturally by the

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success of the most capable of Asiatic peoples over the most rotten of European empires, and there artificially by pan-Islamic or similar propaganda. Parallel with it in our own country was the increasing indifference of a great democracy to problems too remote to be easily understood, coupled with a generous democratic impulse to give all races equal opportunities and an uneasy consciousness that the West could not stand guiltless of the charge of exploiting the East. The war supervened, fought on our side, according to our heroic boast, in defence of the title of small and weak nationalities to existence ; it called forth the splendid co-operation of India, the gallant effort of the Arabs side by side with Lord Allenby's armies, till the principles of peace pronounced by President Wilson seemed but a recognition of service in a common cause. In our extremity the forces of Asia had been enlisted in what was primarily the defence of European liberties, the East had been called into counsels of war and an Arab kingdom had been counted among the Allies. Alliance is not consonant with political domination ; it remained to evolve the principles of a new relationship.

To Great Britain, with her vast interests in Asia, it is of more importance than to any other European Government that such evolution should proceed on firm and permanent lines ; but the counterpart also holds and is recognised in the East. Friendly relations with Great Britain are of primary importance to Oriental countries. In spite of the din of political agitation, in spite of mistakes not exclusively on one side, there remains an abiding sense that Great Britain can be trusted, that her methods are based on a frank recognition of national rights, and that provided those rights are exercised in the furtherance of international tranquillity she has no wish to curtail them. Peaceful political relations imply the maintenance of peaceful commercial intercourse and thereby safeguard her vital interests. Moreover the integrity of her officials is acknowledged, as well as their skill in handling material problems, and the fact that they prefer to adopt and adapt

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local institutions rather than to recommend or impose a new and strange pattern. Through centuries of experience the East has come to know them and on their side they have gained familiarity with its mentality; where else shall it turn in ultimate resort for the advice and guidance of which in their deepest consciousness its peoples admit that they stand in need?

The Anglo-Iraq treaty, then, is the first open and decisive step in the evolution of new relationships. It is an experiment conducted under highly favourable conditions, in a country where there is no tradition of direct British authority to recast, where no vested interests have been created in the past, and no responsibilities to specific elements of the community as against the local government incurred—an experiment in mutual confidence which we would turn into a valuable example with, as we believe, enduringly beneficial effect on our intercourse with the East.

IRELAND AS IT IS

The following article is from the same Irish pen as the accounts of the situation in Ireland which we published in March and June.—EDITOR.

THIS is certainly a country of quick changes. Three months ago we were all agog with excitement over the political situation. No two men could meet and talk for half an hour without the inevitable questions: Will the Government come back? How many seats will the Republicans get? Will fighting start again this winter? To-day politics are a minor issue, and the nerves of the country are tense over finance and economics. "Will the Government come back?" has changed into: "Will the Government be able to carry on?" The civil war of last year has retreated to the wings, labour disputes hold the centre of the stage. Food prices, high wages and bad markets are what one hears spoken of. It is high time, indeed, the country became alive to the situation, for its existence is threatened by a danger greater even than civil war.

Let us consider the facts. Ireland is an agricultural country. Its wealth is its land. Its chief exports are agricultural produce, cattle, and horses. There is a universal, a worldwide depression in agriculture. That depression hits the Irish farmer worse than his English neighbour; it hits this country twice as hard as it hits England. In normal times it would be a danger, in the present times in Ireland it may be a calamity. This

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agricultural depression is the fundamental truth at the root of the new crisis in Irish affairs.

There are many reasons why the Irish farmer is more affected by a fall in the price of his produce than an English farmer, and the chief one is his distance from his market. England is his chief market, and in his cost of production must be reckoned the cost of marketing. At present that cost is enormous. Railway freights are 50 per cent. higher than in England; the service is 50 per cent. worse. The longer the journey to the market, the more the increased cost is felt, and the English consumer does not pay it. The competition from Denmark and other Continental countries, not to mention the home supply, is reducing the price of beef, mutton, potatoes, butter, etc., in the English markets. The cost of transit in Ireland does not diminish, and the Irish producer gets less and less. The recent labour troubles in Dublin, Cork and Waterford have emphasised the position. No cattle left these ports for months, and our export trade in cattle dropped more than 60 per cent. Any few cattle that were exported had to go via Greenore or Belfast, with the result that a rail journey of 100 or 150 miles was added to the expense of marketing. Every penny of that extra expense was a dead loss to the farmer. The same applies to all other produce.

Again, wages have not fallen in Ireland to anything like the extent they have in England. In County Dublin agricultural labourers are getting from 35s. to £2 a week. The average wages all over the Free State, taking one county with another, is certainly not less than 27s. Result: a further increase in the cost of production as compared with similar produce produced in other countries, and a still smaller price for the farmer. As I have said, owing to the recent dock strikes, cattle which were sold were sent by the northern ports to England; and the dockers there not unnaturally availed themselves of the opportunity to fleece the stranger. I heard of as much as 5s. per head being charged for loading Free State cattle in Belfast, and

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£20 a week was no uncommon wage for a docker there to earn during September. This, again, comes off the price the farmer gets. It must not be forgotten that this agricultural depression comes at a peculiarly unfortunate time in Irish affairs. Since 1919 there has been consistent waste of Ireland's economic resources. Her railways have been destroyed, her buildings burned, and her fairs interrupted. The wealth accumulated during the European War has been largely dispersed. The taxation necessary to repair the destruction and compensate the sufferers adds still more to the burden, and the Irish grazier and farmer is faced with the gravest crisis in his history.

No words are needed to explain the effect this depression must have on the Government of an agricultural country. Even if that Government was old and firmly established it would have difficulty in finding funds for its commitments. In Ireland the Government is neither old nor firmly established. Let me not be misunderstood. It is firmly established by comparison with its position a year, six months, even three months ago, but it is not firmly established in comparison with, say, the Government of England. In England the Government going out means another Government coming in. In Ireland the Government going out means no government at all. The Irishman has not yet learned to rally round the Government. He has not yet learned the necessity for any government, but he is learning rapidly. His first thought still, when asked to pay a Government call, is: "How can I avoid it?" All this renders still more difficult the Government's position, and makes the present crisis the more acute. Never was a new Government saddled with such a load as ours. A band of criminals, calling and thinking themselves patriots, have laid waste the country, and rendered necessary the creation of an army on a war footing which can only be maintained at a cost of millions. These "patriots" also avail themselves of every dispute, such as the recent ones between Capital and Labour, to foster enmity against

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the Government. They destroy, they incite to destruction, they obstruct the civil process of the State, and if they are imprisoned, or punished, they scream for pity and sympathy, and accuse the State of barbarity. They diminish State income and increase State expenditure, and this at a time in the country's and the world's affairs when every penny should be jealously guarded, when industries should be fostered, taxation diminished and production increased. If no shot had been fired after the Treaty was signed the position of a new Government, composed of necessarily inexperienced Ministers, with a Civil Service comparatively untrained, would, in this time of trade depression and unrest, have been difficult. Eighteen months' civil war with its attendant cost, a percentage of the people still openly hostile and a larger percentage either neutral or hypercritical, has made their position still more difficult. The Government could be excused if they said it was impossible, and if they lapsed into apathy. They have not said that, nor have they abandoned their efforts. I feel satisfied that the Government is alive to the danger and, while I may criticise some of their methods, I believe that the same energy and singleness of purpose which carried them through the civil war will win through this economic crisis. One thing they must do is assist agriculture. I have heard subsidies suggested: I dislike the method. Any system of free grants is peculiarly unsuited to Irish character and temperament. Pauperisation in some countries is a slow process; in Ireland it is an epidemic. Nothing pleases us, gentle or simple, so much as to get something for nothing, but instead of encouraging effort, it reduces it.

My solution is to decrease cost of production chiefly by increasing marketing facilities. There are several subsidiary problems involved in this. Two of them are inextricably bound up with each other, viz., cost of living and wages. I put cost of living first, because until food prices come down wages cannot be much reduced. There

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has been a Government Commission on Food Prices sitting for many months. Many witnesses have been examined, many theories advanced, but prices remain the same. The recent fall in the price of cattle has been phenomenal, but the butcher charges no less for meat. Potatoes last winter were barely saleable in the country, but prices in Dublin shops remained the same. The wife of the artisan or labourer finds it no easier to buy food for her family. There can be no doubt there is scandalous profiteering by the retailer, but that is not the only cause. The whole system of marketing is wrong. The foodstuffs pass through too many hands, and too many intermediate profits are made. The producer, the factor, the wholesaler, the lesser wholesaler, the retailer, the consumer. That chain must be shortened. There is practically no such thing as competitive buying from the producer or competitive selling to the consumer. The Dublin shopkeeper finds it pays better to keep up the ring than to advertise cheap wares to gain more customers. One hardly ever sees price lists and advertisements of cheap goods displayed in shops here, and this is particularly true of foodstuffs. All this must be changed. The Government should not have to do it. The remedy is in the hands of the people themselves. But again that strange apathy is apparent. There is no organisation, no united effort. I fear the Government must take it up. I dislike paternal government, but the Irish people are apparently not sufficiently well educated industrially and politically to act without a lead, and time presses. Co-operation would help to solve the food prices difficulty, and would assist the agriculturist, co-operative marketing and co-operative purchasing. If the cost of living could be reduced even to the English standard, the wages difficulty would be more easily solved. The labourer would not have so many arguments against reduction, and we might have a week, or even a month, without a strike.

It would occupy too much space were I to attempt to

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analyse closely the labour question in Ireland. It is sufficient for the purpose of this article to give the results. Wages are much higher in Cork and Dublin than in Belfast, and still higher than in England. Labour disputes are more frequent. The disputes, when they have arisen, are more difficult of adjustment. The consequences on agriculture I have already shown. All other industries are equally affected, and national finance is threatened. By tackling effectively the problems of marketing facilities for farmers, food prices and wages, the Government will increase the true income of everyone. Unless they do this they may find it hard to collect the taxes which must necessarily be levied for many years to pay for the criminal folly of the past two. They will likewise find it impossible to keep up national credit, which is vital at this juncture.

Writing of the necessity for keeping up the national credit naturally leads one to the much canvassed question of a loan. It is undoubted that a loan is necessary to meet immediate requirements. The strain on the Exchequer has been particularly heavy for the last year, and will remain so for at least eighteen months more. It is non-recurrent expenditure. Compensation for pre-truce and post-truce damage, and the expenditure on an army on a war footing cannot, must not, be allowed to recur if the State is to exist. These present charges, however, must be met, and I unhesitatingly say a loan is the only way. There are some who still talk of inflation of currency as a possible alternative, but the example of those countries who have adopted this method is, I think, a sufficient deterrent. A loan it must be, but what sort of loan? Is it to be an internal loan or an external loan? With a guarantee from England or without a guarantee? It is quite probable that before this article is in print these questions will be answered by the issue of the loan itself, and I am accordingly forced into a prophecy which may be proved false before it is uttered, an unfortunate, but truly Irish position. However, having an opinion, one

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may as well voice it. I believe it will be an internal loan and issued without a guarantee from England. I also believe that this is the loan which is most likely to succeed. It would be ruinous for a young Government to admit that it had so little confidence in itself, its adherents, and its future that it dare not float a loan in its own country without having as the ultimate security another country, and particularly the country which was the alleged oppressor of the past. I also believe, contrary, I know, to the usually voiced opinion, that this loan will be largely subscribed for in Ireland. As I said in a previous article,* the pessimist is always the loudest talker here. Anyone with a tale of woe to tell tells it at the top of his voice, and can always command an audience. Those persons who see some good in the Government and have some faith in the country do not talk. They exist, however, and when the time comes will act. To those who do not know Ireland intimately I would like to say : Do not rely on statistics in forming any judgment on her position. For a quarter of a century political writers here have been proving by statistics that if Home Rule came to Ireland she would be better off by sixteen millions a year than she had been under the English. A different school of thought was at the same time proving by statistics to their equal satisfaction that under Home Rule Ireland would be bankrupt in three years. The truth is that there are no reliable figures available. Ireland's true taxable capacity is unknown. Ireland's true wealth is equally unknown. Income tax in the majority of cases was never collected on true incomes. It is as futile for a skilled economist to attempt by a flying visit to this country to arrive at any accurate estimate of Ireland's resources as it is for a politician on a similar visit to gauge the political situation. There will be as many surprises financially as politically. Meanwhile in certain quarters every effort is apparently being made to destroy her credit and render impossible a successful loan. I often wonder

* THE ROUND TABLE, No. 50, March, 1923, p. 259.

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what satisfaction it gives writers persistently to disseminate false reports, and colour every item of news so that it may injure the Free State Government. Would the country be better if the present Government were out of office? Assuredly, no. What is it then? Is it that the dream of the British return still exists? Or is it that Ireland is still being used as a political whip to beat the English Government with? Perhaps it is pure hatred of the country. Whatever the reason the result is disheartening for those living here and trying to carry on amidst many discouragements. Every day I read in some English newspaper of Ireland's impending bankruptcy. That is pure invention. There is trade and agricultural depression, there is financial stringency, but there is no approach to bankruptcy. When the new Land Act was passed which provided for the collection of arrears of rent accrued due since 1920, less 25 per cent., the usual dismal prophecies were made. What is the good of passing an Act? Not a penny will be paid and the Government will not attempt to make them pay. It is common knowledge now that the arrears are being paid, and the Government has announced its intention strictly to enforce payment. It is a sad thing to have to say, but I know men, Irishmen, who are in their hearts sorry that this is so, some of them the very men to whom this rent is due. It is a lamentable feature of our character—our fondness for destructive criticism, and our lack of constructive ability. It is the most hopeful sign about the Government that they are not deflected from any course by the popular clamour of this destructive criticism. The Republican prisoners are a case in point. The Government's attitude for months has been: "You have the keys of your prison in your own hands. Sign a statement that you do not again intend to take up arms against your own country, and you are free. Refuse to sign and stay in gaol." That attitude has been maintained despite the protests of public bodies, the street meetings, the night vigils of Republicans outside the gaols, and the hunger-

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strikes of the prisoners themselves. It has been maintained amidst the silence of those persons who should support the Government policy. It is obviously the correct, the only solution of the prisoner problem. Men who have burned and ravaged a country are at last in custody. It has cost the State many millions to maintain an army to suppress them. The damage they have done to public and private property amounts to many millions more. If they were now to be released unconditionally, to renew their destructive campaign, government and law would be a mockery.

The Judiciary Bill which is at present before the Dail is obviously an attempt to popularise law. It has been stated that it will cheapen procedure, and bring the law to the people's doors. I think it is a bad Bill and fear it will not prove a success. It is always a mistake to introduce a change for the sake of a change, and that appears to be the chief reason for the introduction of this measure. It is also a mistake to remove pomp and panoply from Irish Courts. The Irishman loves trappings, and the formalities of an Assize Court inspired respect. The law may easily be brought too close to the doors of the Irish peasant. One gets too familiar with what one meets at the door, and too much familiarity

No picture of Irish life at the present time would be true were the improvement in the general tone of the people not noted. There is a cheerfulness which did not exist three months ago. People have begun to talk again about the ordinary affairs of life. The gloom has largely gone. Laughter is more frequent. You can see the change in the street, in the theatre, in the home. There is a belief abroad that we will muddle through. Hopeless has changed into hopeful. We all realise that the end is not yet; that dark and anxious days have still to come, but most of us believe that there is an end—somewhere—a distinct advance. A year ago if you stopped your motor-car in a country village the street was instantly deserted. Everyone

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found that he had pressing business indoors. There was an eye at every window, but no one to answer questions. To-day that fear has fled, the glance is more direct, the answer readier. Men will even talk of "the times" to strangers. "They're comical times we're living in, sure enough," was the opening remark a labourer in a County Meath village made to me the other day, and then went on to give me his views on political and labour troubles. Another great improvement is that even the staunchest patriot is now *not* perfectly certain that the Irish are the greatest race in the world. There are doubts even in the densest minds as to whether liberty is all that it was supposed to be. We even stop sometimes to wonder what is liberty. In other words our political education has begun. It was only through tribulation that it ever could begin. As long as we had the Aunt Sally of England to throw things at, we were content to know nothing and believe any clap-trap that was told us. We even thought that we were politicians. Now the realisation is coming that there is more in politics than mere destruction. Having realised that, we may yet reach knowledge and with knowledge peace and prosperity.

THE ECONOMIC AND FINANCIAL CONDITION OF INDIA

I. A GENERAL SURVEY

THE health of an individual may be judged either by reference to his temperature and his appetite or, from another point of view, by the standards which would be applied by the medical officer of a life insurance company. So too the economic condition of India could be described as good or bad according to the progress of the monsoon or, on the other hand, according to the underlying conditions which will be decisive in the long run, whatever temporary windfalls and calamities may intervene. Either method of envisaging the question may be just and useful. In India the balance of a budget can be hopelessly upset, the security of the currency system threatened, and the course of trade reversed by the single factor of a bad monsoon. The whole economic and financial outlook might, therefore, be said to depend in a very real sense upon temporary and rapidly changing conditions that can neither be foreseen nor controlled. But at the same time there is a larger view. In the old days it could be pretended with some justice that in India the seasons alternate with one another but everything else remains substantially the same. To-day there are other and greater unknown factors in the equation which has to be resolved in order to arrive at an estimate of the future. They may be difficult at this stage to assess, and even perhaps to recognise distinctly.

A General Survey

But they are vast enough to require that any statement of the situation as a whole should not only describe the immediate outlook, more or less in terms of the barometer, but should also take some account of the course which the stars are shaping, and even, perhaps, venture upon hazardous conclusions as to what may be portended by their present conjunctions.

The brutal force of circumstance has, of course, been immensely diminished, and continues to be diminished year by year. Famine, and even pestilence, which used to ravage the helpless countryside with almost cyclical regularity, are beginning to seem almost like terrors of the past, and though India's powers of resistance—as, for example, in the case of the great influenza epidemic—are still relatively lower than those of other countries, she is no longer by any means defenceless against all the visitations of Nature to which she remains subject. There is, consequently, more likelihood than ever before that the country will be able, if it so chooses, to follow an even course of economic progress without violent interruptions or sudden setbacks. But the monsoon remains the bane and blessing of the land. For several months in every year India is on trial for her life, and she seldom escapes without a penalty. Even a good monsoon is usually no more than good on the whole. The season, for example, which is just closing must be reckoned favourable; but whole districts, nevertheless, have been swamped and devastated; railway embankments have been breached so that main line traffic has had to be painfully diverted for weeks at a time; villages have lain under 20 ft. of water, and rivers have risen as much as 70 ft. in as many hours. Relief expeditions, organised with the promptness and generosity which Indians have learned from centuries of exposure to the ruthless and capricious forces which may strike blindly and suddenly at any one of them, have been busy distributing food and clothing to thousands of homeless and destitute refugees. Even a prosperous year in India is not free from

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economic waste and wreckage of this sort on a tremendous, but practically irreducible, scale. Prosperity itself must not be measured by European standards. It starts as soon as the minimum necessary for human existence is exceeded, and it never rises, for the vast majority of the people, above what may be called bare decency as opposed to luxury or even comfort. The first thing to remember about India is that the country is poor, partly because it has to support a population which is pressing so constantly up to the margin of its resources that every adverse circumstance drives back a certain number below the level of subsistence; and partly because the customary standards of life have scarcely changed since history began, so that poverty is patiently accepted not merely as a necessary evil but as a natural state to which no alternative is known or even sought. The poverty of India is not easily measurable, and statistical comparisons with other countries are apt to be deceptive. An attempt was made towards the end of 1922 to investigate the living conditions of the working classes in Bombay, and, for want of any other precise evidence, some of the results may perhaps be fairly quoted in illustration, though they relate only to an urban population which is by no means representative of India as a whole. Of the 3,000 odd families covered by the investigation, 47 per cent. were in debt to moneylenders, to the extent on an average of $2\frac{1}{2}$ months' earnings, and at a rate of interest rising from 1 anna per rupee per mensem, or 75 per cent. per annum. The income of the family in 75 per cent. of the cases ranged between Rs.40 and Rs.70 a month, the custom, in Bombay and elsewhere, being to pay wages monthly, and the average family had 4.2 members, or 4.8 if dependants outside Bombay were included. No less than 97 per cent. of the families lived in one room. Infant mortality among families living in one room tenements (or less) was 828 per 1,000 in 1921. For the whole of Bombay, the number of deaths under one year per thousand births averaged 572 in the five years ended 1922,

A General Survey

as compared with 95, 80 and 71 in Paris, London and New York respectively during 1921.

But in the last few years India has been suffering less from the disadvantages, incidental and inherent, of her own position than by reaction from the economic and financial catastrophes which have overtaken other countries. There is no occasion, at this date, to hark back to the post-war boom for an explanation of the present depression in trade. The period and the process of readjustment from the unrestrained enthusiasms of 1919-20 are over long ago, and if everything still hangs fire in Rangoon and Madras, and in Calcutta no less than in Bombay, the cause must be sought elsewhere than in the errors of the past or in the local conditions of the moment. At the end of 1922 there were clear signs, in India as elsewhere, that confidence was reviving and only required a little encouragement in order to launch out on a period of renewed activity. All over the world these hopes have been disappointed, and the case of India only differs from the rest in that she has suffered more directly and more intensely, because it is primarily her own immediate customers on the Continent of Europe whose recovery has been prevented.

When orderly and peaceful economic progress once more becomes possible, there is no reason why Indian trade should not reap its full share of the benefit. The adverse balances of 1920-21 and 1921-22 gave place in April 1922 to the natural and normal condition of an excess of visible exports amounting for 1922-23 to 28 lakhs and for the first four months of the current financial year to 22 lakhs. The pre-war distribution of exports as between India's different customers abroad has tended progressively to be restored; and relative commodity prices have been so far adjusted as no longer to offer any obstacle to trade in the raw materials which are India's chief concern.

Moreover, internal conditions—subject always to the mercy of the seasons—are favourable to the maintenance of an effective demand once there is an end to the present

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period of hesitation. The economic position of the villages is as good as it has ever been. Since 1919 they have enjoyed a satisfactory succession of crops, and their purchasing power has been well husbanded throughout the period of high prices. India will not buy at high prices, and internal trade has been restrained since the collapse of the boom by the prospect of still lower levels and by the shocks inflicted upon credit in all its infinite ramifications. The field is clear now for a general improvement, but the initiative, or at least the initial stimulus, must come from outside. Last year (ending March 31, 1923) the total tonnage of goods exported was still 25 per cent. below the average of the three years before the war. When a renewal of foreign demand sets the export trade once again in active motion, the signal will have been given of better times to come.

II. THE INDUSTRIAL MOVEMENT

THE economic condition of India is, and must always be, the economic condition of the peasant and the countryside. But at the same time, India has now been ranked by the League of Nations as one of the seven leading industrial countries of the world, and she certainly aspires to an even higher place. For the present all Indian industries are more or less in the doldrums. The cotton mills in Bombay, the only industry in which Indian ownership and control are of long standing, had a very fair year in 1922-23, but decided nevertheless at the end of July not to distribute the usual bonus to their operatives. jute mills have been uniformly on short time for a long period; and though the huge steel works at Jamshedpur are proceeding with their extensions and their vast projects, they have had to confess in their balance sheet to feeling the pressure of hard times. The coal trade also languishes temporarily and would like to attribute the responsibility

The Industrial Movement

for reduced output partly to the inadequacy of the railways and partly to the unfair competition of subsidised coal from South Africa. The railways themselves are in a woefully dilapidated condition. The huge profits which they yielded to the Exchequer during the war, at the expense of being overworked and very roughly handled, were not put back into the business, with the result that maintenance and renewals fell desperately into arrear. A five years' capital programme of 150 crores is now in process of execution and the appointment, for the first time, of a Financial Commissioner for Railways has been taken to herald the intention of placing the whole system upon a better business footing.

Some mention must be made of a movement, which attracts all the attention it deserves, to develop an indigenous group of Indian industries, to finance them with Indian capital and man them throughout with Indian personnel. This conscious and deliberate industrialism, comparable in some respects to the attempts made since the war in France to twist the energies of a nation aside from their natural bent, is fostered by motives which are not, for the most part, economic. The evidence given, for example, before the Tariff Board has often made no pretence of seeking economic justification for the formidable protective duties which are advocated in the interest (so-called) of these Indian industries. There can, of course, be no question that the natural resources of the country are capable of a far more intensive development than has been practical hitherto. But it is permissible to doubt whether the best policy, from a business point of view, is to set to work in a hurry or to enlist the support of all sorts of extraneous motives when the only argument that can ultimately be decisive is the simple one of profit and loss.

When trade revives, it will be found that all the traditional Indian industries are in a sound position. They are based either upon monopoly or upon a vast and secure

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demand for the necessities of life. The only things that need concern them are therefore good management and the efficiency of labour. Indian labour naturally presents special problems of its own. When mines are recruited with untrained and untutored huntsmen who arrive at the pit-head with their bows and arrows slung across their backs ; when cotton mill operatives are townsmen only for the time being and are perpetually hankering after their ancestral plot, to which they will return in due season to cultivate the land ; when labour is either in the highest degree migratory and fluid, so that, for example, it can be an accepted practice to send railway men back to their homes on four months' leave without pay, or else confined by custom and heredity within the rigid moulds of caste, so that a water carrier is not a water carrier by choice or for a while, but by descent and for the whole of his natural life, it becomes meaningless to speak of labour in terms of a system which works through negotiations, committees, trade unions and shop stewards. Indian labour is practically unorganised ; it is so abundant that the lavish and extravagant use of labour is habitual and traditional ; it is cheap in the sense that the cost of upkeep per unit is incredibly small, and it is expensive in the sense that it does not easily respond to any stimulus, whether of competition, or high wages and good conditions, or professional pride, or delight in efficiency and finish. It consists, in fact, of human material of an almost uniform grade, tractable within limits and for definite purposes, but not rich in unexpected possibilities, and almost entirely devoid of enterprise and initiative. Whether such material is likely to provide the craftsmen and technicians required for the personal equipment of modern industry on a large scale remains to be seen. What is certain is that the success of the new movement for fostering industrial expansion in India will turn partly on the answer to this question and partly on the ability and willingness of the management, and of the investing public, to take long views

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and practise restraint in the early stages of development. With the example of the jute industry before them, Indian industrialists have not far to look to find the advantages of solid reserves, equalised dividends, and a cautious policy of always providing in anticipation for a rainy day. But the tendency at present is for the public to expect and for the directorate to provide quick returns on an extravagant scale, as if that were the best testimony to the prospects of the future. It would be a pity if the growing habit of investment were to be discouraged at the outset by the natural results of lending money recklessly and impatiently.

III. INVESTMENTS, BANKING, AND CURRENCY

THE habit of saving has been fostered, and has certainly been spreading during and since the war. In a country so vast and so poor, the difficulties are necessarily great, and they are aggravated by the speculative propensities of the people. When the nearest post office may be five or ten miles distant, and when even that may consist of nothing more than a box tied to a tree, it becomes almost ridiculous to think of tapping small savings at the source. But the fact remains that Indian ability and readiness to lend money to the Government is apt, in these days, to exceed all estimates based on past experience. In August of this year, the Punjab Government asked for a crore of rupees, and was immediately offered nearly twice as much. Post Office Savings Banks, which accept deposits of as little as 4 annas at a time, have accumulated something in the neighbourhood of 24 crores, in spite of the fact that they are only opened where there is a police station in which the cash can be put under guard. Net sales of cash-certificates, corresponding to English savings certificates, may amount to perhaps 9 crores (£6 million) by the end of the current financial year. None of these

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figures are formidable, but they constitute at any rate a good beginning.

The recent monthly returns of cash-certificate sales to the public have attracted a good deal of comment and attention. Net receipts from this source averaged about 50 lakhs a month for the first five months of the current financial year, whereas each of the five years since 1917-18 had actually resulted in net disbursements. It is not possible in India, any more than in England, to form a reliable estimate of the extent to which increasing sales represent an expanding circle of investors, or to refute the criticism which is sometimes made that, so far from encouraging thrift and small savings, cash-certificates are merely presenting an opportunity to confirmed investors of turning an honest penny by availing themselves of the unduly generous terms offered by the Government as an inducement to quite a different kind of person. All that can be said is that the figures are imposing, and that since there is, as in England, a limit (Rs.10,000) to every individual's holding, it is certainly not possible that they should go on expanding as at present without the addition of some new recruits to the ranks of the investing public.

Closely allied with the problem of developing the habit of investment and saving in India is the question of extending the use and the supply of banking facilities all over the country. The amalgamation of the Presidency banks three years ago has not yet had time to prove its full value, but gradually a banking system, and perhaps even a central banking system, are being built up in a country which has never been used to the one and which does not yet fully appreciate the uses of the other. Of the 100 branches which the Imperial Bank was required by the terms of its contract to open within the first five years of its existence, about 60 are already at work. Such rapid development is not without its critics. On the one hand, the Bank has undertaken something of a thankless task, for in outlying places there is often little else for it to do at present but

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the expensive and unprofitable business that used to be done by currency chests and Government treasuries, while at the same time the benefits ultimately to be derived from its pioneer work may be expected to accrue for the most part, when banking habits have been acquired at last, to other institutions than the central bank itself. On the other hand, the multiplication of branches by the Imperial Bank has been regarded in some quarters with jealousy and suspicion, for fear that the competition of a huge rival, in a semi-monopolistic position and in close association with the Government, should result in the suppression of the smaller banks which take special pains to serve the interests of the countryside and are able to do business on more elastic terms than the Imperial Bank is allowed to offer.

The fact is perhaps that no very precise conception has yet been formed of the eventual place and function of the Imperial Bank in the fully developed banking system of India. There can be little doubt that its present cast-iron constitution will require in the long run to be enlarged and amended ; but for the time being progress, here as elsewhere, is being made by empirical methods, and ultimate aims are neither too precisely defined nor often called in question. The problem will not be solved by slavish imitation of the English model. Mr. Keynes pointed out long ago that the currency system of India is closely analogous to that of Austria-Hungary before the war, and the position of the Imperial Bank is much more likely to correspond eventually to that of the Bank of Austria or the Bank of France than to the unique position of the Bank of England. The immediate task is to combine into a single, organic unit three separate institutions which, in the past, have all had a strong individuality of their own and which, even now that they have been merged together, are still haunted by the memory of ancient rivalries and jealousies. The question of what exactly is to be done after that is one of the many unresolved problems of Indian finance which, if they are not simply to be left to

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resolve themselves along the line of least resistance, should already be engaging close attention.

Meanwhile, banking as an institution—in spite of somewhat discouraging beginnings and of certain recent mishaps—is becoming more firmly established. Though even to-day it is not generally permissible to pay Government dues by cheque, the use of cheques is increasing; the clearing house returns show that Bombay contributed a turnover of 980 crores (£650 million) and Calcutta 858 crores (£570 million) in 1922-23; and Government paper has won popular confidence and favour for its convenience as currency. But the framework of the currency system remains in every essential respect unchanged and still bears all the traces of its long and chequered history. To the layman the intricacies of the different reserves and methods of remittance may well seem unintelligible when even the specialist has to admit that they have often lost all but a purely historical significance. The only way of giving a clear and summary statement of the position is to strip off the technical trappings in order to expose the underlying facts. The active note circulation amounted at the end of August, in round figures, to 141 crores of rupees. Against this liability the Government of India held metallic cover, in reserves earmarked for the purpose, amounting in value to 129 crores, or little short of 90 per cent. of the whole active circulation. Of this amount, approximately 94½ crores were held in silver coin in India, and something more than £24 million (or 36 crores) were held in gold. The remaining cover for the note circulation consisted of Indian Government securities to the value of about 57 crores. The Paper Currency Act adopts 50 per cent. as the standard basis for the metallic cover to be held against the note issue, and the present position is that more than this proportion is held in readiness in the form of silver coin alone. The actual cover is therefore vastly in excess of what is required by law, and palpably in excess

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of what would ever be required in practice or in theory to meet an internal drain.

The maintenance, not only of the internal security of the paper currency, but also of the external value of the rupee, has to be provided for by means of reserves. The external value of the rupee may be threatened from two directions. On the one hand, the balance of international payments on private account may be unfavourable to India, and on the other hand the Government of India is obliged to find large amounts of sterling every year to meet its indebtedness abroad. Normally, there is a very considerable surplus (of exports from India) under the first head, which provides the means for meeting the greater part of the payments due by the Government under the second. But reserves are required to ensure that even if the balance of payments were temporarily against India, private and public liabilities abroad would still be punctually met without involving any severe depreciation of the rupee in terms of international currency. The reserves of international currency held by the Government of India at the end of August amounted to over £80 million, included in this total being balances standing to the credit of the Secretary of State in London, £40 million, in the Gold Standard Reserve, invested for the most part in very short dated British Government securities, and over £24 million in gold coin and bullion in the Paper Currency Reserve. If India ceased to be a creditor on private account, relief would still be given, as at present, to the exchange market against the strain of Government remittances by the raising of sterling loans in London for capital payments incurred in England. But the reserves held by the Government of India are sufficient to secure that, even without availing itself of this first line of defence against depreciation of the rupee, the Government could meet its liabilities abroad for a period of no less than two years.

The strength of the reserve position, whether from the internal or the external point of view, is so striking as to

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suggest that here again there may be one of those unresolved problems of Indian finance to which allusion has already been made. The three outstanding features of the situation are, first, a complicated, and possibly antiquated, technical system; secondly, a strong tradition that it is the function of a reserve to accumulate¹; and last, but not least, an active interest in the subject in India, critical to the verge of suspicion and not altogether innocent of a primitive or instinctive desire to clutch and hoard the precious metals.

The problem of reserves cannot be dealt with as a whole until a definite policy has been adopted for the stabilisation of the rupee. On the subject of exchange, the official attitude appears to be that, until sterling is at parity with gold, it would be premature to attempt anything in the nature of yet another "permanent" settlement. Commercial opinion, on the other hand, would probably welcome the prospect of putting an end to the present period of instability and uncertainty, which is damaging to the export trade and embarrassing to the Exchange Banks which finance Indian imports. It is true that in the past two years fluctuations have been comparatively narrow; but from the trader's point of view there is a vast difference between an actual and an absolutely assured stability. On the other hand, if a fixed rate of exchange can only be had at the cost of a constantly shifting level of general prices, there will not be many advocates of rupee stabilisation. Prices as a whole have remained consistently more stable in India than almost anywhere else. The general index number of wholesale prices published by the Bombay Labour Office has ranged, since the beginning of 1920, between 230 and 150, the average of 1914 being taken as 100, and but for a practically continuous fall in the price of food grains the extreme variations would not have amounted to as much as 10 per cent. in the past two years. While price levels and currency values are shifting the world over, India is faced with the problem of reconciling

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two incompatible aims. Her present policy is to effect a working compromise which holds them both in view, with a decided preference for relative stability in prices rather than fixity of exchange.

IV. INDIAN FINANCE IN THE PAST

BEFORE passing to the fiscal aspects of the present position in India, it may be well to glance back to the conditions of ten or twenty years ago, which go far towards explaining the difficulties of to-day. Direct taxation, in those days, meant little else than land revenue—there was indeed a “Department of Revenue and Agriculture”—and finance was conceived as consisting simply of the exercise of the most rigid economy, designed to keep the costs of Government permanently within the narrow limits of an inexpansive system of taxation. Land revenue, when it was not definitely fixed for ever, increased only at an average rate of about one per cent. per annum, and an over-cautious Government hesitated to look for new sources of public income. Living from hand to mouth, with a national balance sheet amounting to an almost ridiculously small figure, needing unlimited amounts of new capital for development but scarcely venturing to increase her quite insignificant public debt, India could be compared to the modest household of a wage-earner, innocent of banking accounts and borrowing, and indeed of finance in any other form than the balance year by year of an inadequate income against a niggardly expenditure.

The facts are best illustrated by a few representative figures. The aggregate revenue for the year 1914-15, Imperial and Provincial, was estimated in the Budget Statement at a little over £85 million. Rather more than a quarter of this aggregate was contributed by land revenue. Customs and Excise accounted for £16 million more, and the railway receipts amounted to £17 million. The

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balance of some £30 million, of which £13½ million were required to meet interest and miscellaneous charges, was a congeries of small amounts such as Salt 3½, Stamps 5½, Posts and Telegraphs 3½, and Irrigation £4½ million. On the expenditure side, something more than £20 million went to military expenditure. Interest on public debt cost less than £10 million, police cost 5, education 4, and medical services a little under £2 million.

Moreover, the central administration of finance was in the hands of officials who had no abiding place in the central Government, and still less in the Finance Department. Their lives had been given to the task of personal rule in the provinces, to which after a year or two at headquarters they would very often return. One example will suffice to show both the extent to which a cheese-paring economy had restricted the growth of the administration and the rôle assigned to finance in the system of government. Until October 1, 1913, a single officer, with the title of Comptroller and Auditor-General, was responsible not merely for both audit and accounts throughout India, but was also responsible for coinage, paper currency, internal remittance, and ways and means operations generally.

In the interval, there has been not only the war, but the Reforms. Prices have been doubled, and the whole delicate mechanism of equivalents has been upset on which the fiscal system of the country depended. At the same time a singularly concentrated and centralised organisation has been recast into semi-federal form, and the development of representative government has naturally given rise to a whole host of insistent demands for fresh expenditure. Interests which until now had been reconciled and balanced against one another by authority, according to the limits imposed by the painfully narrow resources of the country, now clamour separately for recognition, without much regard to the security of the financial system as a whole. For meeting such new conditions the established and

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traditional fiscal system was hopelessly inadequate. The customs tariff has been formidably increased, income tax has been transformed beyond all recognition and collected with unaccustomed ruthlessness, but five successive budgets of the central Government ended none the less in a deficit, and resulted in the accumulation of 100 crores of inflationary debt. The Provinces found themselves, on the whole, even worse off. They failed habitually to make both ends meet, and they were as much at a loss as the Government of India to devise and apply new methods of expanding the revenues assigned to them.

To meet this situation a Finance Member of exceptionally wide experience, and of established reputation, has been recruited from the home Treasury. It is still too early to say what results Sir Basil Blackett will be able to achieve. The equilibrium of the central Budget, established in paper estimates, has yet to be realised in actual fact. The raising of the salt tax, by which a balance was to be attained this year, is due to come under review before a newly elected, and possibly recalcitrant, Assembly next March. The natural eagerness of the Provinces to get rid of their contributions to the central exchequer adds yet another element of difficulty and insecurity, and sectional interests are vehemently pressing for a revision of the tariff which must have incalculable consequences. On the other hand, sound principles of national finance have been emphatically vindicated, and their authority, if not always readily accepted, is at any rate more generally acknowledged. From the point of view of Government finance, the situation as a whole is still indeterminate, but need not be called unsatisfactory.

For the current financial year the Budget of the Central Government balances at £136 million* in round figures. Public expenditure has therefore increased roughly in pro-

* The figures are given in sterling at Rs. 15 to the £, to facilitate comparison with the pre-war figures already quoted. But it must be remembered that those figures include Provincial items.

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portion to the general rise of prices since before the war. Income tax contributes £13 million, Customs £30 million, Salt £8 million, Posts and Telegraphs about £1 million net, as compared with half-a-million in 1914-15, and the Railways, which had been run at a loss, are thought to be good for a small surplus. On the expenditure side, military services cost about £43 million, and interest on debt absorbs £26 million. Since March 31, 1914, the rupee debt of India has risen from 146 to 421 crores, and the sterling debt from £177 to £240 million.

V. FUTURE PROSPECTS

IF one looks further into the future, it becomes necessary to take account of more than the purely financial aspect. In India it is even less possible than elsewhere to dissociate financial and economic from political considerations. Opposition to military expenditure, captious criticism of the placing of orders for stores and equipment in England, jealous suspicion of anything which savours of Imperial preference, anxiety to transfer to India the reserves on which the maintenance of the external value of the currency depends—these are but a few trivial examples of a general disposition to introduce and to impute extraneous motives in questions which could be settled on purely technical grounds. The difficulty of securing consistent, independent and technically efficient administration is all the greater because the highest permanent officials are required also to be politicians. Moreover, in India the public services are public in every sense of the word instead of being protected against prying intrusion by a veil of anonymity behind which they can work in the detached, impersonal spirit that is the peculiar characteristic of English administration. It is not altogether fantastic to see in this confusion of political with technical motives and personnel a very serious threat to the prospect of financial and economic development on sound

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lines. But that is only one aspect of a greater possible danger. The British system of government both at home and abroad has always proceeded from the conviction that material prosperity should be, if not the dominant, yet at any rate one of the paramount considerations, and economic arguments have consequently been allowed their full weight in determining the course of general policy. But in India control is being handed over to a people who have no such instinctive or acquired conviction. Considerations of advantages are consciously and deliberately subordinated to other motives, personal, racial, religious and sentimental. Whatever may be the social and moral benefits likely to attend the policy dictated by such a temperament, it is by no means clear that the material results may not be disastrous. For the present, the single-minded devotion of the services will continue to enforce a proper respect for the arithmetic of profit and loss. But it may be that eventually a more serious threat to the economic progress of the country than the remote possibility of Mohammedans and Hindus combining to overthrow the British raj is the fact that the control of affairs is passing out of the hands of men who, coming from the bitter North, have enterprise and initiative and a fundamental belief that the good things of this world are worth toiling for.

The economic problems of the future also have their constitutional aspects. Experience is revealing the fact that the Reforms offer no ready-made solution of the many financial difficulties to which they give rise. The relations of the Government of India to the Provincial Governments are in process of being gradually revised to meet the practical necessities of each new situation as it occurs, but this does not make good the lack of any clearly thought-out and consistent scheme of financial control. So far as the Provinces are concerned, some sort of federal system is no doubt the solution, but federal finance is a complicated subject, and it will not be an easy task to find what are the arrangements best suited to the particular conditions of

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India. At present the problem has scarcely been approached. Central and Provincial Governments are carrying on for the time being under the terms of the Meston Award, whose chief merit, according to its advocates, is that it is so fair as to be satisfactory to nobody concerned. There can be little doubt that it will have to be reopened, and the occasion for doing so may arise in connection with the proposed general inquiry into taxation, or possibly when an attempt is seriously made to abolish Provincial contributions.

No summary of economic conditions in India would be complete without some reference to the financial conditions of the Services. There was a time when the Indian Civil Service was sufficiently well paid to be attractive, for that reason alone, to men whose qualifications entitled them to pick and choose. It is scarcely too much to say that present conditions offer such poor material prospects as to make the Service, on that ground alone, unacceptable as a career to anyone who is in a position to select from a wide variety of alternatives. A pension of £1,000 a year after 25 years' service, and an annuity of £300 a year to his widow from the Provident Fund to which every civil servant compulsorily subscribes do not, in these days, represent the prospect of comfort in the event of survival, or security for dependants in the event of death. Nor is there any hope of supplementing this provision to any important extent by savings out of income. From top to bottom, with the exception of a very few posts which no one can count on ever reaching and which are generally only held for a few years, the Service is underpaid. What standards it is reasonable to apply and what comparisons can fairly be made are questions on which it is possible to hold different opinions. But the inadequacy of present pay is such as to interfere seriously in every grade with efficiency and with devotion to duty. Disinterested and selfless service can no longer be rendered by men who find themselves unable to afford the companionship of their wives or to provide for

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the education of their children ; when the difficulty of making both ends meet is pressing and constant, personal advancement becomes an obsession as offering the only prospect of escape from financial embarrassment, and the service suffers from being divided against itself by innumerable jealousies. It has been said to be impossible to sleep in Simla on account of the noise of the grinding of the axes ; but the axes would need no grinding if they were sharp enough. The whole subject is now in process of being investigated by a Royal Commission. It is to be hoped that their findings will be based upon a recognition of the fact that no country, and least of all a poor country, can afford to do without an efficient administration, and that no administration can be trusted to serve the public interest if it is to be subjected all the time to the harassing cares and distractions of poverty. The personal deficits of civil servants may in the long run be as dangerous to the financial prospects of India as the public deficits of the Provinces or the Central Government.

UNITED KINGDOM

I. CURRENT POLITICS

AUGUST, September and October are generally the quietest of political months, and until October 25 this year was no exception to the rule. The stagnant waters have, however, now been disturbed, and much may happen in the course of the next few weeks, and even before these words appear in print. But, so far as the past is concerned, the chief fact which emerged was the diminution in the popularity and authority of Mr. Baldwin and his Cabinet. Great sympathy was felt for his difficulties when, as a comparatively untried man, he was so suddenly called upon to become Prime Minister. And, indeed, there was more than sympathy. Wherever he was known he was liked. The reaction from Mr. Lloyd George was still in full swing: and Mr. Baldwin, like Mr. Bonar Law, was felt to be a plain man, simple and sincere, which was exactly what the country desired. So that he inherited all the confidence which had been felt in Mr. Law.

At first all went well. The session ran smoothly and closed early. The Budget was generally popular, and the housing question, which had been so fatal to the first months of the Conservative Ministry, was settled by Mr. Neville Chamberlain with something like general approval. But there began to be an increasing sense that the Ministry either had no definite policy about the French occupation of the Ruhr, or that, if it had, its policy was simply set aside by France. This situation, with the appearance of impotence it presented, provoked three powerful sections

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of opinion. The humanitarians and idealists, who are to be found in all parties, were indignant at the reports, which became daily worse, of the bullying, and worse than bullying, practised by the French in the territories they had occupied, and of the deplorable conditions of life to which the German population was in consequence being reduced. Another section of opinion, generally opposed to this, was irritated in its national pride, and even in its self-respect, by the spectacle of our ally's entire indifference to our attitude and protests. They felt that we had saved France from destruction only to be treated with ingratitude and insolence. We seemed to them to have returned to the position of sixty years ago : France appeared as indifferent to our remonstrances about the Ruhr and the Rhineland as Prussia had been about Schleswig and Denmark. A third body of opinion, perhaps the weightiest of all, believed that French policy in Germany was destroying the trade recovery of which there had been some signs, and increasing the already alarming figures of the British unemployed. All these sections were critical of the Government's apparent inactivity. And Mr. Baldwin's position was made still more difficult by the fact that there was also a very active and, so far as the Press and the Conservative party machine goes, very influential section which wanted him to follow France blindly wherever she went. This group was, indeed, not only weak intellectually, but certainly far from strong numerically. But it is never pleasant for a leader to find parts of his own machine and of his own Press more or less openly disapproving his policy.

This last fact is rather significant than important. Neither machines nor even newspapers are of much account against a great personality. Chamberlain utterly routed his rebellious Birmingham machine in 1886; Mr. Lloyd George left the Liberal machine nowhere in 1918; and Lord Salisbury, confronted on a certain occasion with a National Union resolution in favour of Protection, took absolutely no notice of it beyond a passing remark on the

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folly of those who applied "obsolete remedies to imaginary evils." These statesmen may have been right or wrong, but the point is that they found no difficulty in brushing their machine out of their way. But they were all men of commanding personality. That is just what Mr. Baldwin has not yet shown himself to be. A Press and a machine which would not have dared to oppose a Salisbury or a Chamberlain may believe itself able to take liberties with Mr. Baldwin. It is for him to show that they cannot. So far he does not seem to have done so. Perhaps he has scarcely recovered from his initial failure to carry out his known intention of broadening the basis of his Ministry, and from the suggestion conveyed by that episode that he was afraid of the pistols of the Die-hards. It is certain that if he allows his Ministry to fall under the control of this extreme section of his party he will fall whenever a General Election comes. High Toryism may be wise or foolish, but it is certainly not the attitude of more than a small fraction of the British electorate, and the Conservative party which will always include it can never afford to be identified with it.

Whether the pronouncements of the Prime Minister at Plymouth and Swansea and Manchester commit him still further into the hands of that section is at the moment of writing still uncertain. With the merits of Protection and Preference this article is not concerned, but it may be well to say a word about the effect of the speeches on the political situation. Few speeches have been more discussed beforehand, one may almost say advertised, than Mr. Baldwin's at Plymouth on October 25. But it cannot be denied that it was rather a disappointment. There was a doubt as to what Mr. Baldwin meant by what he said about Protection, and those who praised him, praised him for different reasons. The part of the speech dealing with the alleged inaction of the Government in connection with the Franco-German problem* was somewhat more success-

* This problem is dealt with in a separate article. See p. 13.

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ful. It showed that the Government was acting and had hopes of the very important co-operation of the United States being secured. But even there the speech was a confession that little or nothing had been done during the two eventful months that followed the rising of Parliament. People were not blind to the difficulties of the Government, but the situation in the Ruhr had gone from bad to worse as the direct result of a policy of which we had always disapproved. There is unquestionably a feeling that Europe had badly needed saving, had looked to England, but had not been saved.

The Plymouth speech, too, left a certain confusion. Protection was apparently wanted, among other things, to keep out the German exports in which reparations would have to be paid. Are we, then, people asked, after struggling for four years to get them, to build a wall against results as soon as they begin to appear? It reminded them of our own criticisms of America's tariff policy.

It was, indeed, the announcement of a policy of Protection at Plymouth, Swansea and Manchester which affected the political situation. Apart from the economic issue, which is dealt with elsewhere, there are three political questions which everybody asks about it: Does it mean an early General Election? Will it split the Conservative party? Four members of the Cabinet itself—the Duke of Devonshire, Lord Derby, Lord Salisbury and Lord Robert Cecil—have always been credited with Free Trade views. Lastly, will the Prime Minister's announcement reunite the Liberal party and perhaps the Labour party into a single Opposition? It is not yet possible to give a complete or confident answer to any of these questions. But a few things may be said. It is obvious that such an issue as Protection and Free Trade, affecting as it does every voter, either as producer or consumer, notwithstanding the need of preliminary investigation, will not be long left in suspense.* The effect on trade of the political uncer-

* It has now been decided that the Election is to be on December 6. j

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tainty inevitably produced by the possibility either of a change in our whole fiscal policy or of a change of Government will certainly be pleaded in favour of haste. From a tactical and party standpoint, too, there are also arguments for it. A month ago no party expected an early appeal to the country, but the Conservative party is less unprepared for one than any other party. In particular the Labour party is believed to have very little money; and though it did better in the municipal elections this year than last, when it was completely routed, there is no sign either here or in the by-elections of its making any great progress in the country in spite of the unemployment which gives it an opportunity such as may never recur. Besides, on such an issue delay is more likely to tell in favour of the Opposition than of those who have brought it forward. These considerations will probably prove decisive in favour of an early election.

As to the effect of Mr. Baldwin's proposals upon the solidarity of the Conservative party, a disastrous split may be less likely than twenty years ago. The situation since the war, and recollections of our experiences in it and the danger of complete dependence in certain fields, have no doubt had an effect upon the attitude of Conservative Free Traders, though many of the causes which to-day prevent the recovery of our trade are clearly of a transitory nature. Since the war, too, greater weight has inevitably and rightly been given to the desires of the Dominions. And there is another thing. Twenty years ago the Opposition was a Liberal party which was ready, in return for Unionist support, to postpone Home Rule if returned to power. Its attitude was critical and negative, like that of all wise Oppositions, and Conservative Free Traders, free of the fear of Home Rule, were inclined to think it would have little power and do little harm: certainly none to be compared with the introduction of Protection. But to-day there is the fear of something very different from this. There is the programme of the largest of the three present

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Oppositions, the Labour party, with its revolutionary proposals. Nevertheless the solidarity of the Conservative party has undoubtedly been jeopardised. The fear of a Labour Government and the weakness of Liberalism gave Mr. Baldwin a safe majority, and one often hears people ask what induced him to risk it. Free Trade convictions may have been modified, but they are not dead even in the Conservative party.* Those who hold them are, no doubt, waiting to see how far Mr. Baldwin proposes to go and whether a Labour Government will still remain the only alternative, and a great body of neutral opinion in the country is doing the same. If the Liberal party recovers, the whole situation will be altered.

This brings us to the third of our questions. What will be the effect of Mr. Baldwin's new policy upon the two sections of the Liberal party? Is there any chance of its even producing a fusion of Labour and Liberalism? With regard to the second half of the question, a concordat between Labour and the Liberals is not impossible, but as things stand at present it is most unlikely. This has already been made plain by their own representatives. Mr. Ramsay MacDonald and other Labour leaders have left no doubt that their programme is still the capital levy and State action. If Liberalism stands for anything, it stands for the opposite principle of individualism, and to Mr. Asquith the chief Labour planks and Protection are equally obnoxious. Labour itself is hampered by the mere fact of having a detailed programme as well as by its revolutionary character. If it had confined itself to attacking the Government, which inevitably provides every week a larger target for the arrows of criticism, it would have done better. As it is, it has thrown away the natural advantage of an Opposition and set up a very large target for the Conservative and Liberal sharpshooters to riddle. Its chances of winning the Election have not been improved by the Prime Minister's

*A Unionist newspaper, the *Glasgow Herald*, has already protested against its party being launched upon such an enterprise as Protection.

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proposals. It is even possible that the policy of Protection, which is akin, in principle, to Socialism and trades unionism, may attract a certain number of working-class votes. Liberalism, on the other hand, has certainly everything to gain from Mr. Baldwin's new departure. The fear of Labour and Socialism, and the extreme weakness exhibited by Liberalism at nearly all the elections—as recently again in the municipal elections which have just taken place—have of late tended to drive people who would otherwise find a home in the Liberal party to the Conservative fold, as the only safe refuge against the Labour programme. And that process may go farther yet. Possibly the English Liberal party, like those of several Continental countries which were so powerful fifty and even thirty years ago, will ultimately be swallowed up between Conservatism and Socialism. But the revival of the Protectionist policy, awakening, as it must, memories of the prodigious triumph of 1906, comes in the nick of time to postpone if not to avert such a doom. It gives the party the thing it has been dying for want of, a real war cry. Mr. Asquith, too, is particularly at home in this field and is already known to be in higher spirits than he has been since 1918. He could make fiscal speeches in his sleep and will certainly be much more in evidence in an election which turns on this issue than in one dealing with social problems. And he is not likely to lack support. Mr. Lloyd George lost most of his prestige in this country during the months that followed the collapse of the Coalition, but during the last few weeks he has recovered ground by his efforts in America in the cause of the restoration of Europe. Rumour had at one time been busily asserting that his intention was to come out as a Protectionist on his return to England, but after his declaration at Manchester last April he can hardly fail to become a champion of Free Trade. And the fusion of the two Liberal parties, so vainly attempted by busybodies at political luncheons in the summer, will now be brought about in the only possible way—that is, by the

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compulsion of a great opportunity and a great issue. Mr. Lloyd George will no doubt be quite willing to serve under Mr. Asquith. In any Ministry of which he was a member he would be the most powerful man, whatever office he held. The position of his chief lieutenant, Mr. Churchill, arouses great curiosity. There seemed at one time to be a prospect of his return to the Conservative party, but the fiscal issue is the very subject on which he left the party twenty years ago; and it seems certain that Protection will drive him back into Liberalism. If so, his well-known hostility to Socialism, which has been even more vigorously expressed than that of Mr. Asquith and Mr. Lloyd George, increases the probability that the Liberal campaign will be one of Liberalism pure and simple, equally vigorous in its assault upon Socialism on the one hand and upon Protection on the other. What the chances of such a campaign may be it is difficult to estimate. The party—both wings of it—has been in very low water for some time. But it includes all the best speakers in the country except, perhaps, Lord Birkenhead and Lord Curzon. And a clear fight on a clear issue, with the strong traditional feeling about Free Trade to back it, and such men as Mr. Lloyd George, Mr. Asquith, Mr. Churchill and Sir Alfred Mond to put the case before the electorate, may have surprising results. The business of prophesying how General Elections will turn out was always doubtful and difficult, and is now dangerous to the verge of impossibility. In the case of certain sections of the community we have something to go on. Thus the attitude of Agriculture, at present out of humour at the announcement that wheat and meat are not to be taxed, will depend upon what Mr. Baldwin can do for it, a question that is under consideration. There are, again, great industrial districts whose traditions connect their interests with Free Trade. But, generally speaking, all that can be said of the man in the street is that the new proposals have attracted his attention more certainly than his support. There is, too, since the old Tariff Reform

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days, a new electorate with women's franchise. A very large proportion of the votes will for the first time be exercised on the issue of Protection against Free Trade. No inference of much value can in any case be drawn from the last general election, in which, although the Conservatives won a majority of seats, they did not poll a majority of votes. If, however, we had to prophesy we should confess to a fear that no party would obtain a clear majority.

With three equal parties there might be surprising developments in the way of combination. Two of the parties, it must be remembered, are for Free Trade.

This possible prospect brings home to us the extent to which our old parliamentary system, which depended upon the existence of two predominant parties, has been altered by the rise of Labour. Desirable though the revival of the old Liberal party seems, even to many who are not Liberals, one of its results may well be that after the coming elections we shall find ourselves, in spite of our dislike of coalitions, committed to a system of government by groups, just as the result of the Labour party becoming H.M. Opposition after the last general election was to give an undue security to the Government in office because people were afraid of turning it out to put a party with so extreme a platform in its place.

II. MR. BONAR LAW

THE death of Mr. Bonar Law is not exactly a political event, for it had been known for some time that he would never be able to return to active political life. But it has aroused great sympathy and regret. He was everywhere liked and trusted, and his perfect straightforwardness and disinterested desire to serve his country were universally recognised. The fact that he was an altogether plainer man than most of his predecessors in his great office had, no doubt, its disadvantages. But it certainly had some-

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thing to do with the confidence felt in him. No one could claim for him the commanding qualities of one kind or another by which Disraeli and Gladstone, Lord Salisbury and Mr. Lloyd George, dominated their own country and filled a great space in the mind of the world. But Bonar Law's modesty and simplicity, coupled with a very remarkable power of debate, gave him a command of the House of Commons such as greater men never had, and served him very well, a year ago, even in the country, where he never was so powerful as in the House, by their complete contrast to those qualities in Mr. Lloyd George against which the reaction was then at its height.

So the funeral in the Abbey, with the Prince of Wales as chief pall-bearer, was in accordance with the general feeling. And many who were there must have felt that the presence of the Prime Ministers of the Dominions was no mere accident. It was the first funeral of a Prime Minister who had held his post under the new system of Imperial relations. Bonar Law had not been, and had not claimed to be, more than *primus inter pares*; and it was a fortunate, but also, as it seemed, a natural thing, that his peers from all parts of the Empire should have their part in honouring one who was not only the first English Prime Minister from outside these islands, but also the first who died after the great Dominions had been admitted to equal status with the old country to which most of them owed their birth, and which now proudly recognised their arrival at the full growth of political manhood.

III. UNEMPLOYMENT

IN the shipbuilding trade the dispute with the Boiler-makers about overtime and night shift drags wearily on. It is both difficult to settle and peculiarly harmful in its results. It is difficult to settle because essentially it is a dispute, not between employers and workpeople, but

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between two labour organisations, or rather between one big federation and one of the unions which it includes ; and therefore the ordinary machinery of conciliation is scarcely applicable. It is especially harmful because many work-people belonging to other unions are seriously affected by the stoppage. It is, of course, obvious that if all the riveters in a shipyard come out, sooner or later work in that yard must stop, and a very large number of people who are not directly interested in the dispute must be thrown out of work. Negotiations are proceeding between the Boilermakers and the General Council of the Trades Union Congress, but it is difficult to see how a settlement can be reached unless the former consent to honour the agreement fixing the terms on which overtime and night-shift work should be done which was accepted on their behalf by the Federation of Shipbuilding and Engineering Trades.

Unemployment continues to be the most urgent problem that confronts the country. It is true that the figures are lower by 80,000 than they were at this time last year ; but the figures by themselves do not adequately represent the situation. We are entering on the fourth winter of acute industrial depression, and apart from the seasonal unemployment which always occurs during the winter months, the coming period threatens to prove one of unusually severe distress throughout the country. During the last three years of bad trade both parties in industry have been living on their reserves. Employers in a great many instances have been keeping their works open and accepting contracts at a price below the cost of production in order to maintain their organisations ; while work-people on short time or out of employment have been driven to supplement their diminished wages or the so-called dole with contributions from the funds of their unions or by drawing upon any savings they may have accumulated during the war and the " boom " period which followed it. But there is a limit to the reserves both of

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employers and employed. Many big firms have already closed down the whole or portions of their works, many others are wondering whether it will not be necessary for them to do the same, and all are feeling the exceptional financial strain. On the other side, the funds of even the strongest unions have been gravely depleted, while a man's savings will not last him very long when he has no work, a wife and family to support, and nothing but periodical payments from the Unemployment Insurance Fund on which to support them. Thus, although the figures of unemployment may be lower to-day than they were a year ago, the stamina of industry is also lower.

Nor is there much ground for optimism so far as concerns the immediate future. At the beginning of this year there was a general feeling abroad that the turn had been reached and that the worst was past. Trade figures were going up, unemployment figures were going down—and then the French marched into the Ruhr. In fact, since May, unemployment, so far from declining, has shown a slight rise : during the week ending May 14 it stood at 1,168,521, while during the week ending October 29 it was 1,255,996.

That, of course, is the gloomier aspect, which is so constantly before the public eye that there is a tendency to ignore the existence of any other side. For instance, while it is both true and tragic that there are 1,256,000 men out of work, it is sometimes forgotten that there are over ten million actually employed in Great Britain to-day, and that the problem, serious though it unquestionably is, is pressing with its full weight upon little more than 10 per cent. of the industrial population of the country. Again, if the dimensions of the problem are now greater than they were before the war, the resources of the State are better organised for dealing with it ; while the Government has frankly recognised that unemployment is the most important internal question of the day, and that to cope with it, so far as lies in their power, is their paramount obligation. The chief necessity during the ensuing winter

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is to ensure the men who are out of work and their families against actual starvation, to mitigate as much as possible their privations, and to prevent their future industrial efficiency and earning capacity from being undermined.

For the achievement of these objects the greater part of the burden of simple relief must continue to be borne by the Unemployment Insurance Fund; and it is at least satisfactory to find that although in March of this year the Fund was in debt to the State to the extent of £17,000,000, and although the conditions which created that debt have registered very little improvement, it has since that date been reduced to £13,000,000. While this reduction may be attributed in part to the small decrease in unemployment which has taken place, a number of other circumstances, such as the higher rates of contribution introduced, has also affected the figure.

There has been in some quarters a disposition to criticise the special periods which have been created, by means of which insured persons have been enabled to continue drawing on the fund when they have ceased to have any contributions to their credit. But while these departures from the strictly actuarial basis of the scheme may be regretted, it is difficult to avoid the conclusion that they are necessary. The men and their families cannot be allowed to starve, and there is more than one good reason why it is better for them to be supported out of the Insurance Fund than by the Poor Law. The resources at the disposal of the Guardians are likely in any case to be subjected to a severe strain in bridging the "gaps" during which the payment of Insurance money is suspended; by throwing additional responsibilities upon them, an undue burden would be placed on the localities where unemployment is most severe, and where in consequence the local finances are most embarrassed. Moreover, there is something to be said for the point of view that relief given by the Guardians is nothing but relief, whereas relief in the form of insurance payments can be set against the future

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contributions of the insured, when trade improves and they are back at work again.

The Unemployment Insurance Scheme can be relied upon to mitigate some of the worst results of trade depression ; but it can do no more than that. To restore the ruined markets of Europe may be beyond the Government's power, but public opinion expects from it something more than a policy of mere relief. Accordingly, early in October the Minister of Labour, and subsequently the Prime Minister, outlined an extensive programme for the winter. The greater and more important part of the schemes comprised in this programme do not come under the category of ordinary relief ; they aim rather at stirring into fresh circulation the waters of trade which at present lie stagnant in their channels ; or, to use a medical metaphor, they are intended as a tonic and not as a sedative.

While the public has been told that the amount involved in the Government's programme is fifty million pounds, the mention of a sum of this kind is necessarily a little misleading. The schemes in preparation or already in being vary considerably in character, and though some necessitate actual and immediate expenditure, others merely take the form of guarantees.

The first and most important items on the programme may be termed trade recovery schemes. Apart from the acceleration of work on all Government contracts and the continued arrangement of export credits—in the rather rare cases where the provision of Government security may make the difference between business and no business—it is proposed to assist various big enterprises to carry out capital work of a productive character which they would otherwise be prevented by adverse financial conditions from putting in hand during the present depression of trade. This assistance may take the form of guaranteeing the principal and interest on loans raised for approved purposes, so that the company assisted may be enabled to borrow on more favourable terms than it could obtain in the open

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market; not, we understand, is the same measure of security required. For example, the London Electric Railways Company is raising a further six million pounds for the new Golder's Green and Central London extensions. By using the credit of the Government it can borrow at a rate of about $4\frac{3}{4}$ per cent., which is probably less than the rate which it could obtain on its own unsupported credit. On so big a sum the difference may well be appreciable. Still more valuable is the Government offer to the Southern Railway for the new electrification scheme on the South Eastern section. In order to carry out this development a sum of £5,600,000 is required, and the terms on which this capital could be raised upon the unsupported credit of the railway company might hold up the work for the present. But, again, by borrowing at the Government rate the company is enabled to start operations at once. On arrangements of this kind, the capital cost of which is all included in the fifty million pounds, no actual outlay of public money is involved or is ever likely to be involved. The Government, in lending its credit to certain undertakings of unquestionable soundness, is merely discounting an optimistic anticipation of trade.

The other schemes included in the programme do involve actual expenditure. They vary greatly in character. For instance, the Government will undertake to pay for fifteen years 65 per cent. of the interest and sinking fund charges on loans raised by local authorities to finance enterprises of a non-revenue-producing character. These cover projects of a kind which would otherwise only be undertaken under more favourable conditions of trade, and the assistance of the Government, equivalent as it is to a contribution of about $37\frac{1}{2}$ per cent. of the capital cost, is intended to induce local authorities to anticipate their future programmes. The Government will also help local bodies and public utility companies on loans for revenue-producing purposes raised for periods of not less than ten years. In these cases the assistance will take the form of paying

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50 per cent. of the interest only on such loans for fifteen years or for the duration of the loan, whichever period is the less. Such assistance is generally subject to the condition that serious unemployment in the locality concerned must have been certified by the Ministry of Labour, and that local labour is employed in the work. On the other hand, the scheme provides for the extension of its facilities to places such as popular seaside resorts, where there is comparatively little unemployment, but where work, involving orders in depressed industries, can be done. Under these headings £20,000,000 of work will be financed by the Government through the Unemployment Grants Committee. Further employment is to be found by accelerating the construction of new roads. The road programme which was prepared in 1920 was designed to be spread over a number of years, and work on this is still proceeding. But, in addition, it is proposed to spend a further £14,000,000 on a supplementary programme, which will cover, among other items, the construction of a number of ferro-concrete and steel bridges.

The general scope of the Government policy for promoting employment during the winter is sufficiently indicated by the examples which have been given. There are, of course, always certain dangers attached to a big programme of this kind. There is the danger that the problem may be approached from the wrong side—that people will not ask themselves, "What schemes are really necessary and desirable and deserving of support?" but will say, "We have got to spend a large sum of money on unemployment during the winter. How shall we spend it?" There is the danger that work will be hastily planned and wastefully executed in the assurance that Government money is supporting the enterprise; that schemes may be put forward and may obtain support which are subsequently discovered to be superfluous or even mischievous; that expenditure may be concentrated in such a way as to benefit certain classes of labour only; or that some of the work

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which is receiving State assistance may on one pretext or another be delayed and not started until the winter is over. There is no reason, however, why these pitfalls should not be avoided, and the public has been assured that every scheme arranged or contemplated is subjected to the closest scrutiny by the Unemployment Grants Committee. The policy at least shows a marked advance on what may be termed pre-war conceptions of relief. To plant trees in the remoter parts of the Highlands, to repair the ravages of coast erosion, or even, as has been seriously suggested, to reclaim the Goodwin Sands, may or may not be desirable objects in themselves, but money spent on them would be unproductive, at any rate for a good many years to come, and would not materially benefit the industrial population.

The new programme of the Government certainly strikes deeper at the problem. Its aim is not to create work for the sake of expenditure, but to assist commercial corporations and local authorities to anticipate development and other schemes which under ordinary circumstances would not be undertaken until trade was more prosperous; and thereby to increase the purchasing power of wage-earners throughout the country. One important result arises out of such a policy. The relief of the skilled man has always been a most difficult question. Before the war he was, as a rule, either neglected or employed on unskilled work, an undesirable and uneconomic arrangement. Throughout the present depression the skilled and semi-skilled men have been hit particularly hard, and therefore merit particular consideration. Thus it may be hoped that by persuading the railway companies and municipalities to accelerate their contracts, and to initiate new capital undertakings such as the Underground extensions or the South Eastern electrification or the Bournemouth tramways, a great deal of work will be created in the more skilled trades.

The whole policy, of course, depends on the eventual return of British trade to something approaching its old

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prosperity. The Government, the municipal bodies and the big firms are all staking on this, and are bound to do so. After all, the gamble is legitimate. If and when trade recovers they win; if it does not recover, their extra commitments will be a trivial item in the national bankruptcy.

CANADA

I. THE ATTITUDE TO THE IMPERIAL CONFERENCE

A REVIEW of the politics of the British Commonwealth cannot ignore an event on which the interest of the Commonwealth is focussed. But this is written as the Imperial Conference commences its deliberations, and though they will probably be concluded before it is published, comment upon the accomplishments must necessarily be postponed. The only aspects that can now be discussed are anticipatory; but as the public and official attitude to the Conference will profoundly affect the results, some outline of it may not be valueless as a background to subsequent judgment.

To place this year's meeting in perspective it is necessary to recall the popular attitude to the Conferences which were held before the war. In Canada they were then not widely regarded as very serious political events, but rather as displays of the solidarity of Imperial sentiment, and sometimes as the occasions for junketing trips by ambitious minor statesmen. The war altered this attitude; but the identity of aim and continuity of co-operation between the member States of the Commonwealth until the treaties of peace were signed has had two results, which at first sight may seem contradictory. When the strain was relaxed there arose a tendency to regard close co-operation as less important than it had been while the common danger persisted; on the other hand, periodic meetings of His

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Majesty's Ministers from all parts of the Commonwealth have now become seriously recognised as a normal and necessary feature of its machinery of government. But both public opinion and the Government have been faltering exponents of either the vaguely felt responsibilities of national self-consciousness or the hereditary instinct of Britannic unity.

When a single public issue and an almost unanimous popular aim are the dominating factors of politics, obviously it is easier to elucidate and carry out policy than when issues are many and confused and the public mind is divided and imperfectly informed. But without minimising the difficulties of the problems with which the Imperial Conference is faced, it may be said that Canadian political leaders have shown a disposition to ignore the existence of these problems rather than to attempt to explain them to the public. It is true that the task of explanation would have been difficult; but this is perhaps an insufficient reason for avoiding it. It has now become so commonplace that European chaos is the cause of many Canadian ills that some attempt to instruct the public in the essentials of the problem might have been made by those whose duty it is; and it cannot be said that this has been done. As was indicated in the last number of *THE ROUND TABLE*,* the country will learn for the first time from the despatches of journalists now in London what the problems are with which the Conference has to deal, and what the attitude of its representatives is. And it can scarcely be pretended that this is a satisfactory situation.

For the public mind badly needed a clarifying lead. It is still a turbid mixture of the lees of war propaganda, the staleness of economic deflation, and the froth of racial *malaise*, and neither Press nor political leaders have done much to help it settle. Problems whose roots are widely ramified have been stated in terms of the fabricated hatreds of war-time, the discarded *clichés* or immature postulates

* *THE ROUND TABLE*, No. 52, September, 1923, p. 841.

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of economic panacea, or the hereditary feelings of racial kinship or dislike. To the stupider Press the occupation of Germany is merely a proper satisfaction of a desire for revenge, but its influence is not perhaps very wide. The West, where, despite the abundance of the grain crops, the effects of deflation have been most severely felt, probably most fully appreciates the incidence of international conditions upon domestic well-being; and its increasing political power may hereafter make its influence more decisive in national policy. The Press of French Canada has so almost universally supported French policy in Europe as to raise a suggestion that the influences of the Quai D'Orsay may not be confined to the Press of France; though it was interesting to find Mr. Henri Bourassa, who abates none of his racial dislike of things British, asserting in *Le Devoir* that the policy of Lord Curzon's note "merits the moral support of Canada." In the present confusion of mind and division of counsel it may be admitted that even moral support for any definite policy is likely to be lacking until more vigorous national leadership appears.

In fact, Canada is now struggling not only with her geographical, racial, and economic obstacles to national unity, but with a fundamental difficulty of democratic government. "Out of the private notions of any group no common idea emerges by itself," as Mr. Walter Lippman has said; "by mass action nothing can be constructed, devised, negotiated, or administered." Upon Imperial defence, immigration, preference, or economic development, Canadians have no present policy because they are not led to formulate one. As far as they have been informed, views are not to be advocated in London, but all questions are to be dumped upon the table of the Conference in the hope that they will emerge, not, apparently, as tentative solutions, nor even as recommendations, but as no more than topics for further debate in the Canadian Parliament. Possibly something more or less illuminating will thence reach the public through the Press. But if

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the process is correctly described, it is a curious performance of the duties of responsible government.

Apart from confused public opinion, the Canadian Ministers are somewhat disabled from playing at the Conference a part commensurate with Canada's position in the Commonwealth. Partly this is due to the Ministry's precarious tenure of office and its narrowly sectional support, partly to inexperience in international affairs; both of which they would doubtless gladly see remedied. They suffer also from the inadequacy of their official assistance. In 1909 Sir Wilfrid Laurier erected a Department of External Affairs, and those who foresaw the part Canada might expect to play beyond her domestic sphere welcomed what was deemed to be the creation of a permanent body of officials trained for foreign affairs. This Department was modestly staffed at first, grew slowly, and was never adequately organised; but it acquired some younger blood before the war, and appeared likely to offer a career to educated young Canadians and to become an invaluable branch of the public service. Throughout the war and the period of treaty settlement, and down to the meetings at Washington, it was able to sift and study such information on international matters as was circulated among the Governments of the Commonwealth, to supply counsel and guidance to transient and inexperienced Ministers, and to staff the secretariat of Imperial and international conferences. But Canadian public opinion has never faced the necessity for keeping its Government supplied with an adequate intelligence service about the outside world, and since the war the Department has declined rather than been strengthened.

The result is that, since the meeting of the Conference was announced, time has been unfortunately allowed to drift by without public education or ministerial declaration of policy. It is true that in a speech on his departure Mr. King foreshadowed a quiescent attitude by remarking that he carried with him not a single grievance, and that he

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proposed to advocate no change in the constitutional relations of the Commonwealth. He has very considerable oratorical powers upon broad themes, and great faith in the virtues of conciliation and conference, but in the last department he has yet to show whether he can grasp complicated facts or meet unpalatable situations. He has as colleagues Mr. Graham, an amiable but not specially significant politician of the old guard, and Sir Lomer Gouin, perhaps the most impressive of the three figures. His fifteen years as Premier of Quebec probably gave him no special training upon problems like those with which the Conference has to deal, but they brought him a wealth of experience in council, and in his short time in Dominion politics he has made for himself a place of considerable distinction. He is reported to be less interested in politics than in business, but his poise, and a canniness, which, despite his emergence from French Canada, makes one suspect a Scotch Mendelian dominant in his ancestry, should make him a useful member of the Conference.

As a footnote, one or two facts respecting immigration and national finance may be of interest. In the first four months of the present fiscal year immigration was 67 per cent. greater than it was during the corresponding months of the year before. The following table shows the proportions :—

April-July		British	From U.S.A.	From elsewhere
1922-1923..	..	16,000	10,449	6,400
1923-1924..	..	29,593	8,221	17,098

Twenty families from the Hebrides, about whose alleged discontents some paragraphs appeared in the Press last spring, were settled under the auspices of the Settlement Board, and are authoritatively reported to be completely satisfied. Some stir has also been made about the harvesters who came from Britain this autumn. Doubtless the former occupations of some of them unfitted them for

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farm work, but harvest wages were five and six dollars a day, and jobs were on the whole plentiful; there is no doubt that those who are fitted to succeed in the West will not find settlement difficult if they desire to stay. The internal conversion loan of \$172,000,000 was over-subscribed, and the Government increased the amount to \$200,000,000. As the first internal loan since the war period, its success has been a gratifying evidence of national confidence.

II. THE WHEAT CROP AND ITS MARKETING

WHEAT is the great staple crop of Canada, and there was general satisfaction when the last provisional estimate of the Dominion Bureau of Statistics, based on the outlook on September 30, confirmed earlier forecasts and estimated for the 1923 crop an average yield of 20½ bushels per acre (3 bushels per acre above the 1922 yield), and a total volume of 469,761,000 bushels, as against 399,786,400 in 1922. The *Manitoba Free Press*, which specialises in crop surveys, places the figure considerably higher, but the Northwest Grain Dealers' Association is disposed to be more conservative. However, all the experts agree that the wheat crop of 1923 is the most abundant in the country's history, and will certainly exceed 450 million bushels, of which all but some 23 million come from the three prairie Provinces. But this abundance is not evenly distributed, and the credit for surpassing all previous records belongs solely to Alberta, where the crop can only be described as prodigious. The Bureau of Statistics estimates that the 1922 yield of 64,976,000 bushels in that Province has this year been swollen to 157 millions, and the local papers claim that the final total will exceed 180 million bushels. While from favoured fields as much as 65 bushels per acre have been secured, yields of 40 and 50 bushels are not uncommon, and all the

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plant and labour available in the Province will be fully occupied in threshing operations till Christmas. The figures for Saskatchewan, the greatest grain-growing Province, are at 252 million bushels, practically the same as last year's, the crop being good in the north but poor in the south. The Manitoba crop, except in some northerly districts, has been a serious failure through the ravages of rust and other plagues, and in the areas along the American border many farmers will not realise enough to pay their threshing bills. In the rest of Canada the wheat crop is about a normal average. Owing to the heaviness of the straw in the West the cost of garnering is high and the elevator operators complain of abnormal dirtiness. In the earlier shipments from the districts affected by rust, the proportion condemned to the lower grades was alarmingly large, but the carloads now coming in from the fortunate areas are of a very satisfactory quality. The price for No. 1 Northern at Fort William, which has been hovering between 95 and 98 cents per bushel, is still rated too low to be profitable to the grower ; but, as the crops of coarser grains are a little better than last year, the *Financial Post* of Toronto estimates that there will be available for distribution among the western farmers at least 543 million dollars. It is, moreover, peculiarly fitting that so large a share of this should accrue to the farmers of Alberta, for they have been hard hit by a succession of bad crops.

The lowness of grain prices has in recent years accentuated the dissatisfaction of the western farmers with the machinery available for marketing their crop ; and the two great trading organisations which were founded for its betterment have gradually incurred the suspicion of being accomplices of the private elevator interests and grain dealers in what are regarded in rural circles as plundering exactions. Recalling the high prices which the Wheat Board system with its compulsory powers and stabilisation of prices gave them during the later war years, and perhaps forgetting that world conditions rather than any merits of

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the new marketing system produced them, the farmers' leaders began in 1920 a campaign for the revival of the Wheat Board. Its fortunes have been fully related in previous numbers of *THE ROUND TABLE*; * the pressure of hostile interests, combined with the indisposition of the King Cabinet to give fresh endorsement to an experiment which had provoked the displeasure of the numerous critics of the principle of State interference, resulted in 1921 in the passage of some compromise legislation for a modified Wheat Board system which has in practice proved totally unworkable, and indeed has never operated.

Foiled in this direction, the western farmers turned their attention this summer to a voluntary wheat pool scheme. They imported as an expert adviser and propagandist, Mr. Aaron Sapiro, who had built up a very successful network of co-operative organisations among the fruit growers of California. He was obviously handicapped by his unfamiliarity with local conditions, but he brought a message of hope to a troubled community. After a plan for a voluntary co-operative wheat pool had been drafted under his supervision he conducted an intensive campaign for its acceptance by the farmers. A triplicate organisation was a concession to the provincial particularism which has wrecked so many western movements, but it was agreed to utilise common export machinery. Mr. Sapiro's plan found ready acceptance in Alberta, where the farmers' leaders were enthusiastic for it and contrived to enlist the support of the Press, the banks, and the business community; but in Manitoba and Saskatchewan, where the local agrarian chieftains evinced a marked and perhaps discreet hesitancy to sponsor a pool in a year when prices seemed to be rather liable to steady decline than to be capable of elevation, the response was disappointing, and the promoters did not get within measurable distance of committing to their five-year contracts the 50 per cent. of the total acreage, which Mr. Sapiro had prescribed as the

* *THE ROUND TABLE*, No. 48, September, 1922, p. 860.

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minimum necessary for the success of the pool. Even in Alberta only for 42 per cent. of the total acreage have contracts been secured, but it was decided that this proportion was adequate for the experiment. A trained executive staff has been engaged, the banks and some of the elevator companies are giving their cordial co-operation and the Alberta pool has been able to commence practical operations. But its crop will come late to market, and if by the time that it is available the price of wheat has tumbled down, the supporters of the old order will not be slow to lecture the Alberta farmers upon the folly of rash innovations.

However, even if the wheat pool experiment brings no great salvation this year, the mass of the western farmers, fearful that the downward drift of prices may reduce them to the level of European peasants, and convinced that the present marketing system allows too large a swarm of people to make a rich living out of the grain business between the prairies and the Atlantic, are determined upon a radical reorganisation in the confident hope that economy and the removal of abuses may improve their net returns. They claim that massed marketing under a sound co-operative plan will give some insurance against the saturation of the wheat market and will make possible an intelligent treatment of the problem of over-production, the emergence of which is already discerned by shrewd observers. With the present economic condition of the world and the existing cost of transportation, there must be definite limitations to the profitable growth for export (1,500 miles from tidewater) of such a bulky commodity as wheat. The problem involved in transportation to the seaboard presents annual difficulties which this year appear in aggravated form. Last year the prairie farmers and the Winnipeg grain merchants made common cause in protest against what they claimed to be the monopolistic charges of a ring of shipowners, Canadian and American, who control the tonnage available on the Great Lakes for the

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grain trade. The King Government appointed a Royal Commission, and, in accordance with its recommendations, passed legislation which, among other safeguards against monopoly, ordered shipowners to post their freight tariffs in public places, and empowered the Board of Grain Commissioners to regulate them if they were deemed extortionate. The American shipowners, who in normal years supply 60 per cent. of the tonnage utilised by the Canadian grain trade on the Lakes, announced their intention of boycotting the trade until the obnoxious regulations were withdrawn. Although some of them have succumbed to the lure of profits, and 21 out of the 82 boats which left Thunder Bay ports in the week ending October 11 were of American registry, yet the abstention of the main body of the American grain fleet has created a serious shortage of tonnage, which is bound sooner or later to result in a disastrous blockade at these ports. At the time of writing the railways are pouring wheat into these ports at almost twice the rate of its outflow; unless the outward movement of wheat can be accelerated before navigation closes at the beginning of December by the termination of this duel between the Canadian Government and the American shipowners,* it is difficult to see how more than 150 million bushels of wheat, or less than half the amount available for export, can enjoy this autumn the cheap rates of the water route.

Such a prospect naturally induces the citizens of Vancouver to redouble their efforts to divert the export grain trade to their harbour. The Railway Commission has met their demand for the abolition of the special rate which the railways, on the ground of the greater expenses of operation,

* On October 21 the Government announced that it proposed to end this feud by interpreting the law requiring the posting of grain tariffs in such a way as to defeat entirely the purpose for which it was passed. The wheat blockade at Lake ports had to be ended, and the only alternatives were either to summon Parliament and to repeal the law, openly to countenance its breach, or to make it nugatory. It is an interesting comment on the economic dependence of Canada on the United States.

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have been allowed to levy on the Rocky Mountain sections, with a concession of a 10 per cent. reduction; but the British Columbia Government is meeting public sentiment by its decision to carry the fight for complete equalisation to the Privy Council. The British Columbians hope, and the railways, anxious for the perpetuation of the profits of the long eastward haul, fear, that complete equalisation of rates will divert a large share of the export and import trade of at least the western half of the prairie regions to ports on the Pacific Coast. For the export grain trade, indeed, Vancouver can offer the advantage of continuity of access through the winter months; but her elevator accommodation, although recently increased and improved, is still inadequate, and an even greater obstacle is the scarcity of suitable shipping. The tramp steamers which carry grain can slip over in ballast at little expense to Montreal on the chance of picking up a cargo, but it is a different matter to go empty to Vancouver and pay Panama Canal tolls on a similar hazard. Yet in the end for the woes of the western farmer, the readjustment of his marketing and transportation systems can only be palliatives; his troubles have their real source in the decline of Europe's purchasing power and the general dislocation of the world's economic organisation.

III. THE DEVELOPMENT OF MINERAL RESOURCES

CANADA is almost universally regarded as an agricultural country, the future greatness of which will depend far more on agriculture than on any other industry. The opening up of the prairie Provinces has made this conception predominant. Before that time the outside world was wont vaguely to think of Canada as a chilly source of furs and timber and as the home of irritatingly independent pioneers of discordant races. But a brief

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examination of the facts shows that the idea must be drastically revised that Canadian prosperity must always rest on the export of agricultural products. Agriculture will remain a great Canadian industry; but it is quite possible that before many years Canadian minerals will have become more important than Canadian wheat.

Geologists, of course, have long known that Canada had great potential mineral wealth; but the information has been vague, and no permanent mining field has been proved to the entire satisfaction of the large mining interests. Capital, in consequence, has come in slowly. This is only natural, since the area for exploration is so vast, and has been until recently so inaccessible, that geological data have been very gradually accumulated. The time has now come, however, largely through the work of the able geologists serving the federal and provincial Governments, when sufficient knowledge is available and development accomplished to demonstrate that Canada is to become one of the world's great sources of minerals. This is only just being realised in Canada itself, and public interest in mining is rapidly increasing, especially in the gold developments in Northern Ontario.

The President of the Canadian Institute of Mining and Metallurgy has estimated "that not more than 15 per cent. of the entire surface of Canada is suitable for profitable cultivation," while "the remaining 85 per cent. contains mineral treasures of inconceivable value." Nearly two million square miles, or over half the total area of the country, is made up of the great pre-Cambrian expanse known as the Laurentian shield, the greatest exposure anywhere of the basement formation of the earth. Except for small extensions into New York, Michigan, Wisconsin, and Minnesota, the whole pre-Cambrian field is within the Canadian boundary. Recent developments seem to have justified the most sanguine prophecies of the mineral riches in this formation. The section which has been opened up for the longest time is in the United States along the

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shores of Lake Superior ; in it are to be found the great Lake Superior iron mines, and the Michigan copper mines which have been worked for half a century and produce at present about two hundred million pounds of copper each year. In Canada only one great pre-Cambrian field has so far been thoroughly explored, the Sudbury nickel district. This is the main source of the world's nickel supply. The only foreign nickel of a high enough grade to compete successfully is that produced in New Caledonia ; and 85 per cent. of the world's requirements during the war were met by Sudbury. Over \$400 million worth of nickel and copper has already been mined, and the known resources of the two great producing companies are in excess of 100 million tons of ore.

North of Sudbury are the two latest fields to be developed in Ontario. In the early years of this century discoveries of silver were made at Cobalt ; since then Cobalt has produced over 10,000 tons of silver, a very large quantity of arsenic, and all the cobalt required to meet the world's needs. In 1911 silver production reached its height with 31 million ounces, but by 1921 it had declined to 9½ million. New discoveries have recently been made at Keno Hill in the Yukon ; and an increase in the world-price of silver will revive activity at Cobalt. Large quantities of gold were found first in 1909 at Porcupine, and soon after at Kirkland Lake. In both camps development was delayed first by a disastrous forest fire, and later by the war ; but already the producing mines have shown that this district may be one of the first goldfields of the world. Development has hardly been carried below the one-thousand foot level, yet one mine already ranks among the greatest gold producers anywhere. The output of gold for the whole country, including the Pacific coast mines, this year has increased 25 per cent. ; this is significant in view of the estimate that the total world's production dropped 28 per cent. between 1915 and 1920. The exploration of other parts of the Laurentian shield is going forward rapidly.

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New camps are springing up in Quebec and Manitoba, where interesting discoveries of gold and copper have been reported. In Quebec particularly the ground has only been scratched ; it is the largest Province in Canada, and all but 10 per cent. of its surface is covered by the pre-Cambrian formation.

There are other areas outside the pre-Cambrian expanse which have great possibilities, both in the Pacific highlands of the Rocky Mountains and the coal-bearing formations of Nova Scotia. The gold production of the Klondike is well known. Since it has passed its prime, elsewhere in the Rockies mines have developed which are now producing gold, silver, copper, lead and zinc, while discoveries of platinum have been reported, and coal and iron deposits have been located. British Columbia produces more copper than any other Province, and its production of zinc and lead is already large and rapidly increasing.

Enough has been said to show that the surface of Canada from Atlantic to Pacific is mineral-bearing. Yet only the southern fringe of the mineral areas has so far been thoroughly explored. When exploration has been pushed further north, and means of transport have been devised, it seems likely on the basis of achieved results that great new fields will be opened out. Thus, perhaps, the greatest of Canada's mineral assets will in the end prove to be her coal. The estimates of Canada's coal reserves are so vast as to be almost beyond comprehension, but only in Nova Scotia has large-scale development been achieved. The great western fields are too remote from the manufacturing centres, and Canada still chiefly depends for industry, transportation, and domestic purposes on coal imported from the United States. Iron also is found in many places, but the ore is of too low a grade to compete successfully with higher grade ores from the United States, and there are many technical difficulties to be overcome before profitable production can be maintained. Oil, similarly, is nowhere produced in large quantities, though many dis-

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coveries have been reported and several large corporations are prospecting on an extensive scale, especially in the MacKenzie River district in the far north.

Statistics of the total production of minerals show a steady increase. Between 1887 and 1891 the average annual value was \$14,518,679; this had risen to \$193,547,535 for the period 1917 to 1921, and as yet the extent of the resources is only beginning to be realised. There are certain factors very favourable to further progress. Water power is abundant throughout almost the whole mineral area, and there is plenty of timber. The climate is healthy all the year round, and the winters, though severe, are not so cold as to hamper continuous operations. The country seems to have got past the period of "wild-cat" frauds upon the public which marred the first years of the Cobalt camp. The geological formation in most places is such that a heavy expenditure of capital has to be undertaken before profits can be earned, for the pre-Cambrian formation does not give quick returns; in consequence the older mining camps have turned into mining towns, with an efficient local government, adequate educational facilities, and fairly good housing conditions.

The investment of further capital from abroad is still urgently required. Many Canadians would like to see London entering the Canadian field, and catching up with New York as a source of outside capital. The most recent statistics available show that stocks, bonds, and other securities of a total par value of \$616,522,395 have been issued by Canadian mining enterprises. Of this amount 50·95 per cent. was held in Canada, 32·36 per cent. in the United States, 15·46 per cent. in Great Britain, and 1·22 per cent. elsewhere, and it is believed that the proportion has varied substantially in favour of the United States since these figures were compiled. In the last two or three years a greatly increased interest has been shown, in London especially, in the Ontario goldfields, and some big

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British companies are said to be on the look-out for Canadian properties to replace mines on the Rand, the exhaustion of which is in sight. It is to be hoped that before long British capital will be more largely represented in Canadian mining enterprises.

Canada. October 20, 1923.

AUSTRALIA

I. COMMONWEALTH POLITICS

AFTER the formation of the composite Ministry of Nationalists and Farmers which succeeded that of Mr. Hughes, the Government met the House for a few days and then went into recess for the purpose of formulating its policy. The Imperial Conference was to meet in October, and Mr. Bruce announced that the session would be a short one, as the Government proposed to accomplish necessary business and adjourn Parliament before he left.

In the recess, however, the Prime Minister addressed himself to some of the problems concerning the relations of the Commonwealth and the States which urgently needed attention. A Conference of Premiers was held in May and the Prime Minister submitted suggestions for the solution of a number of these matters. The submission of definite proposals on these excessively thorny questions was a courageous act. Action in these matters is as thankless as it is complicated. The States all have their difficulties of finance and policy and are rather apt to put a good deal of the responsibility upon the shoulders of the Commonwealth. Proposals on general lines are apt to be received with a discordant chorus of protest by the various State Premiers. Mr. Bruce's actual proposals did not fare very well. But it is admitted that the discussions sensibly advanced the conclusion of the various matters. His suggestions challenged a broader outlook on the part of the Premiers, and in some conspicuous instances the original proposition was better than the subsequent decision forced on him by them. The breaks in the railway gauges of the

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Commonwealth are the subject of much comment, but it is questionable whether the inconvenience caused is sufficient to justify the enormous cost involved in installing a uniform gauge, which would be over £50,000,000. From the point of view of defence, however, a single gauge connecting the various coasts is essential. One of the proposals was to connect the West-East transcontinental line with the New South Wales system at Hay and thus give a route from Perth to Sydney without touching Adelaide or Melbourne. Further changes would be necessary in West Australia, and by completing the coast line in New South Wales, the line could be extended to the border of Queensland in one gauge. The Premiers, however, who have no responsibility for defence, missed altogether the strategic aspect of the problem and by their opposition shelved it. Those representing Victoria and South Australia unfortunately allowed themselves to advance a rather parochial and timid point of view. Even if defence were not paramount the loss to Melbourne and Adelaide would be unimportant in through passenger journeys—while the transport of merchandise is almost entirely by sea. Another most important problem dealt with was the clash of jurisdiction in Commonwealth and State industrial tribunals * Mr. Bruce, however, shrank from the difficulty of securing the legislation necessary to accomplish this. He therefore proposed that a tribunal should be set up to determine what industries should be deemed Federal in character and should be left to the Federal Court. This, however, did not commend approval and the matter has been postponed.

The next matter of outstanding importance was the duplication of Federal and State taxation. In its inception it was intended that the Commonwealth should rely mainly for revenue on the customs. It was thought that there would be a considerable excess from this source, and provision was made for returning a proportion to the States for a period of ten years. This was subsequently altered to a

* THE ROUND TABLE, No. 51, June, 1923, p. 640.

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capitation payment and the period extended. The war has changed this financial problem. The Commonwealth had to impose direct taxes to meet the cost of the war, and it now needs them in part to pay the interest on war loans. But the two income taxes were harassing both to the various financial Ministers and the citizen. Only in West Australia was an attempt made to harmonise the various Acts and provide for one collection on behalf of the two authorities. Mr. Bruce's first proposal to the Premiers was that the State capitation payment should be discontinued, and the income tax field left to the States, with the exception that the Commonwealth should tax incomes over £2,000. The Commonwealth tax would then be a third of the super tax. It caused a great deal of opposition, and Mr. Bruce then proposed to raise the money he required by a taxation of company profits. This position was provisionally accepted by the State Treasurers, but at the last moment it was found that considerable miscalculation had been made in the figures presented to the Conference and the enactment was postponed for a year. The only outcome of the discussion so far has been agreement between the Commonwealth Treasurer and the State Treasurers to make the latter the collecting authorities for the Federal tax under a simplified and inclusive schedule.

Few people considered that Mr. Bruce would be able to accomplish in Parliament in a short session of ten weeks the work he needed to do before he left for the Imperial Conference on September 1. These included the Budget and its necessary legislation, besides other important matters. The decision to close Parliament when he left was criticised by men of all shades of opinion. It did not show great confidence in his colleagues. The Labour Opposition set itself to thwart it. The first few weeks were spent in discussing and defeating five no-confidence motions launched by the Labour party, and throughout the session every effort was made to obstruct business. In the end most of the legislation submitted to the House was

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passed. The rush towards the end of the session was terrific and many measures were passed without proper consideration. Decisions were obtained in nearly every important case throughout the session by the firm application of the "guillotine." On the whole, the session has witnessed a personal triumph for the Prime Minister. He has been courteous, resourceful and imperturbable. He has never once lost his temper or his dignity. His policy was carefully thought out. It was based on common sense. It did not satisfy the most advanced, but it was suited to the mind of the average member, and it was enforced on the House with a determination that the opinion of the majority should prevail and should not be thwarted by the obstructive tactics of the minority. On his side there was straightforward presentation and argument.

The output of the short session was quite substantial. Immigration, railway extension for the Northern Territory, bounties on meat and other products, Air Force, Murray River works, and a number of other subjects were dealt with. Forty-one Bills were presented and thirty-six were passed. The Budget showed a surplus for the year of £1,020,150, making an accumulated surplus of £7,428,575. The only reductions which interested the taxpayer were on the postal services. Taxation is not substantially reduced, but a sinking fund for Commonwealth loans was established. Previous concessions granted to sugar and meat producers were continued.

The Prime Minister was not as drastic as he promised with the Commonwealth Shipping Line. For the first time complete accounts were published of this undertaking and they showed a loss of £10,000,000, which, however, included a very large sum for depreciation in value. But the Government could not make up its mind to abolish the Line. It proposes to sell the smaller and older ships and retain only the modern. This decision is due to the belief that the great shipping ring practically controls Australian overseas transport and maintains freights, which are hinder-

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ing the sale of Australian primary products in foreign markets and increasing the cost of living in Australia. For these reasons the Farmers' representatives are keen on the Commonwealth Line.

The most important business of the session was the full-dress debate upon the agenda paper for the Imperial Conference. Mr. Bruce showed his judgment and his intense preoccupation on questions of Imperial co-operation by giving full scope for the expression of opinion on these subjects. In his own speech he rather invited the expression of the feeling of the House than attempted to lead it. He showed how the increase of status which has been acquired by the Dominions placed them in contact with foreign nations and liable to the accidents of foreign relations. The typical incident of Mr. Lloyd George's message in reference to a possible war with Turkey was effectively introduced to show how ineffective is the present system of distributing papers and reports which give little real information, and reach the Dominions too late to be of real use. More regular consultation and a resident Minister at the heart of the Empire were proposed as a solution of the problem of giving the Dominions a voice in the control of policy. On the question of Defence, the difficult situation of Australia was emphasised and the necessity for joining in a co-operative scheme with other parts of the Empire. Mr. Bruce again expressed in clear terms his idea that as the Dominions were being looked to as a means of absorbing Britain's surplus population the marketing of their products should be assisted by a system of preference. The debate was one of the most important discussions of foreign policy which had yet taken place in the Commonwealth Parliament. The contribution of the Labour party to the debate is of peculiar interest. The keynote of its policy is expressed in the following considered formula :—

The Labour Party's policy is to promote world peace and, consistently with Australia's goodwill to her kindred overseas, declares its readiness to take full responsibility for Australia's

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defence, but is opposed to the raising of forces for service outside the Commonwealth and participation in any future overseas war except by a decision of the people.

This statement aptly illustrates the attitude of the Labour party in dealing with Imperial problems. The personal inclination of its members is loyal and even if there were elements of disloyalty they would be prevented by the temper of the constituency from giving expression to it. But there is a complete inability to work out the principles and implications of the idea of loyalty to the British Commonwealth. Most of the time mere tags as to Imperialistic jingoism were cheaply reproduced to the House and used to emphasise the idea that Australia should never take part in any scheme by which her troops might be required to fight outside Australia. One missed the note of healthy and constructive patriotism which marked the contributions of the pioneer Labour leaders, Mr. Andrew Fisher, Mr. J. C. Watson, and Mr. W. M. Hughes, in the early days of the Labour party. From the Labour contributions no clear line can be deduced towards any of the great questions of Imperial policy, and one cannot even spell out from them any intelligible attitude towards the great problem of Dominion status.

II. PROBLEMS OF IMMIGRATION

AUSTRALIA is one of the few countries colonised by Great Britain in which any attempt was ever made to think out fundamental problems of colonisation and to act upon the results of organised thought. The attempt at systematic colonisation was in many respects unfortunate and except in the political sphere traces of its beneficial effects are now difficult to find, but the same problems on a larger scale now confront thinking men in Australia and Great Britain as, in 1830, faced Gibbon Wakefield and his small band of followers. In each case a hitherto unparalleled

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war had left a legacy of depression and unemployment in Great Britain ; the " Devil which Malthus had unchained " was roaring through the land ; emigration was a favourite remedy recommended to the unemployed worker ; the " colonies " were depicted as huge areas of fertile and unoccupied land with a ready welcome to immigrants ; a future was predicted in which the " surplus population " of Great Britain working with her " surplus capital " on the waste lands of the colonies would produce a self-supporting empire bound together by ties of common interest, economic, political and racial. But although the problems of 1830 and 1923 are similar, we are at once in a worse and better position for arriving at a solution than was Wakefield. In effect the immediate problem of Australian immigration was solved by the discovery of gold in the 'fifties. Our geological knowledge of Australia now renders unlikely any such easy solution. Great Britain's immediate problem of " surplus population " was solved by the industrial exploitation of her great resources of coal and iron and the marvellous growth of foreign commerce following upon the development of production and transport in other countries. Here, again, we cannot confidently expect such a solution. On the other hand, so far as Australia itself is concerned, we are infinitely better informed as to our economic resources, and can substitute reasonably accurate quantitative statements both for the unavoidable ignorance of 1830, and for the present common but misleading panegyrics of those who either will not trouble to ascertain the facts or believe that patriotism consists in ignoring them.

A comparison is often made between Australia and the United States of America. The obvious facts are pointed out that the superficial area is approximately the same, and that whereas the population of the one is some 110 millions, that of the other is less than 6 millions. From these facts the inference is drawn that the two countries should be supporting approximately equal populations. No com-

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parison of countries could be more misleading. There is nothing in the nature of things which warrants the view that Australia is able to support anything like the number which the United States can on her area. The simple reason is that although the two countries are alike in area their economic resources are greatly different and in almost every case, indeed in all important cases, the comparison is vastly in favour of the United States.

"Of all continents," writes Professor Griffith Taylor,* "Australia is perhaps the least favoured by nature. Africa and Asia have larger arid regions, but so also have they larger fertile regions." Australia contains nearly three million square miles, but approximately one-third † of it comes within the geographical definition of a desert: "A country with such an arid climate and such a scanty water supply that agriculture is impracticable and occupation is found possible only for a sparse population of pastoralists." ‡ In more detail 590,000 square miles are, in our present state of knowledge at least, useless lands, and 655,000 square miles are unreliable pastoral lands where there is not likely to be anything other than very scanty settlement. It is true that in the past some portions of Australia have been hastily dubbed "desert"—such as the Mallee land in the North-East of Victoria, and land even in the neighbourhood of the Murray, Australia's greatest river. In each case the "desert" has been made to blossom like the rose by scientific agriculture and irrigation. But these areas never came within the geographical definition of a desert, and in fact receive not only a much higher rainfall than the "desert," but, what is even more important in Australia, a uniform and certain one. Again, experiments such as those of the late William Farrer in adapting cereals to Australian conditions have increased

* See *Australia, Economic and Political Studies*, edited by Meredith Atkinson, p. 336.

† See Koeppen's estimate.

‡ Gregory & Howchin, *South Australia*, p. 32.

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both the yield of wheat and the area of the wheat belt, but attempts at growing wheat with a rainfall of less than 10 inches have not been, except in rare cases, and are not likely to be, successful. But even if we thus discount common and widespread talk of the "potentialities" and "boundless possibilities" of Australia, the fact remains that it possesses two million square miles of land, of which only a negligible portion is entirely unsuitable for white settlement, and with a population of less than six millions it is by all modern standards underpopulated.

The problem of immigration is two-fold, how to induce sufficient numbers of the right sort of immigrant to come to Australia, and how to provide that they shall make a living when they arrive. The latter part of the problem is discussed first because, unless that is capable of solution, it is little use attacking the former.

Broadly, the choice open to immigrants to Australia is between agricultural and pastoral pursuits, and industrial and commercial occupations. Australia's prosperity is based primarily upon woolgrowing, which provides the largest item of her export trade and is possible over a very wide area, including some "desert" land. Next in importance, perhaps, comes wheat, which can be grown on approximately 200,000 square miles, of which only about one-eighth is at present under any crop. Here, more than anywhere, are there possibilities of great development. In each case, however, the production of wool or wheat is not very successful without an area and capital considerably larger than that needed for other agricultural products, such as butter and fruit. Meat, until recently, was the third great product of rural life, but at present its importance has diminished for lack of overseas markets for beef.

Much of the best land in Australia lies in the coastal fringe extending some hundred miles or so inland from the eastern shores. This region with a reliable rainfall of over 20 inches is especially suitable for all kinds of dairying. In those parts of the country with a fair rainfall of fifteen

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inches or more, and in those where irrigation is possible, fruit of all kinds and of excellent quality can be grown. At present hopes are high that cotton will be successfully grown and become as important an export as wool. Apart from irrigable lands there is a large area in New South Wales and Queensland where conditions of soil, temperature and rainfall appear suitable for cotton. It has been proved that cotton of the finest quality can be grown in Australia, but whether it can be produced successfully for export appears to depend in the main upon the labour cost involved in picking. It is suggested that this difficulty may be overcome by growing cotton on small areas completely worked by the labour of one man and his family, as in many dairying districts. One point which may be noticed here is that much of the land eminently suitable for cotton is also peculiarly adapted for other crops, such as maize, and for dairying. A great extension of cotton growing may in these circumstances not add very much to the population of Australia.

The development of modern manufacturing industry is largely determined by coal, with which Australia, in the black coal of New South Wales and Queensland and the lignite of Victoria, is fairly well equipped. Of other minerals, gold has ceased to play an important part in the national economy, and iron deposits, though good of their kind, are not comparable either with those of the United Kingdom or of the United States of America. Except for Tasmania, Australia is by no means well supplied with water power of any magnitude which may be put to industrial purposes.

The position, then, is that, although there has been considerable development of manufacturing industries, stimulated by the favourable conditions of isolation due to the war period, the future of immigration on any large scale seems to be, immediately at any rate, bound up with land settlement and the production of such commodities as wool, wheat, meat, cotton, fruit and dairy products. It

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is one thing, however, to show that these commodities can be produced; it is another and more difficult thing to show how they can be successfully marketed, and the problem of what the immigrant is to do resolves itself in great measure into the problem of how to market his products. The present population of Australia is, of course, far too small to enable a home market to be found for all the products of rural industries, and if we are to extend these industries greatly, reliance will have to be placed on finding markets abroad. Wool is comparatively an easy matter. The natural advantages of Australia for the production of pure merino wools are such that they find a ready and a profitable market abroad. The fact that several years of high prices have not increased the production of merino wool to any great extent appears to be due not to a natural limitation of pasturage, but to the vicissitudes of seasons, the menace of the rabbit and other pests, and to the time and difficulties involved in converting cattle-land into sheep-land. Other kinds of wool, too, present no insoluble problems of marketing. Australian wheat, especially the harder varieties, sells easily enough abroad. Prices appear to be sufficiently remunerative and the farmers' problem is rather to cope with the periodic droughts than to increase facilities for markets, though the aftermath of Government war-time control has led to various voluntary or State-aided pools to conduct the marketing of wheat, whose policy appears to be to sell abroad at the world's parity and to use their power of partial control to keep home prices a little higher. The marketing of meat is not so easy a matter. For mutton and lamb there exist profitable markets, but at present in the marketing of beef our natural advantages of extensive pastoral industry do not outweigh our disadvantages of distance as compared with the Argentine and other competitors. While American production of cotton is adversely affected by the boll-weevil, the prospect of marketing good quality Australian cotton appears to be bright.

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Dairy produce finds in the main a home market, and any large extension would need an extended export market. Here, again, there is not much difficulty, though distance has to be overcome by special advantages of production, and difficulties attending perishable products by refrigeration and the like. The greatest difficulty occurs with sugar and fruit. Sugar is supplied almost exclusively to the home market and the industry is only maintained by a high tariff, at present even by a system of Government embargo upon the import of sugar grown by black labour. This enables the sugar industry to be carried on in Queensland with white labour and the consumer bears the burden. Recently there has been a great development of the fruit industry, especially in irrigable lands watered by Government expenditure and tenanted by small farmers, including many returned soldiers. Some kinds of fruit find a ready sale abroad, but the problem of marketing dried fruit, and especially canned fruit, is already acute and will become worse as more and more of these orchards begin to bear. Mildura and Renmark, the home of irrigated fruit-growing on the Murray, owe a great deal of their prosperity to the duty on dried fruits, of which the growers take advantage to sell their products at a high price on the local market and to dump the surplus abroad. Even then there are constant complaints of unprofitable prices in London owing to the competition of Greece. A recent estimate is that the increase in acreage will mean that by 1927, 80 per cent. of the production of dried fruits will be available for export, as compared with 20 per cent. in 1914. The Federal Government has in several instances attempted to solve the problem of the marketing abroad of fruits, whether fresh or canned, by financial aid to fruit "pools." In every case, however, there has been considerable loss, as the export prices have not proved profitable.

It seems clear then, that immigration on any but a small scale is conditioned by the provision of land for settlement and by oversea markets. Here it is to be noticed that the

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best lands for production are already in private hands and that the area of land still unalienated by the Crown, although very large, contains almost all the third of Australia which is practically useless for present purposes. This means that the problem of land settlement is in the main one of sub-division and re-settlement. Much of the land used for sheep is well suited for wheat and other products, but any gain from such a change is to be offset by the loss to the wool industry. Sub-division, either by Governmental action or arising from purely economic causes, appears to be a condition precedent of land settlement, and this is already recognised in many States. One difficulty which presents itself here is that the State, in compensating owners for their land, may in practice capitalise the future expectations of the owners and so leave either the State itself, or the immigrant, or both burdened for long with a heavy cost. Another practical political difficulty is that in the division of powers between the Commonwealth and the States, the former controls immigration and the latter the land. This may be overcome by mutual arrangement, but the past history of attempts at co-ordination between the two, especially in such important measures as a uniform railway gauge, compulsory arbitration, and public finance, does not augur favourably.

The main proposal to deal with marketing is that of increased tariff preference. This is the official policy of the present Federal Government, and no doubt expresses the current general, though not unanimous, opinion. Newspaper indignation over the alleged "letting down" of Australia in the matter of meat contracts, and the "refusal" of Great Britain to increase preference, often reflects a popular, if unreasoning, attitude. But apart from whether it is a practical possibility in British politics it appears to be a very precarious and unsatisfactory solution of the problem of marketing. Moreover, it may have the effect of emphasising the tendency already

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apparent amongst Australian producers, especially in those industries for which preference is asked, to be content with careless and inefficient methods of preparing their goods for market abroad.

The second part of the main problem is how to get immigrants. The maintenance of the ideal of a White Australia rules out such a solution as that of Chinese immigration, which otherwise presents many points of advantage. Sentiment, too, for not merely a European civilisation, but an Anglo-Saxon one, means in effect that Australians look for their immigrants to the British Isles. It may be objected that there is no need to encourage immigration and that a slower development of our resources by means of the natural increase of population and by unorganised immigration would be wiser. To this the reply is, not that the rate of natural increase is too low—indeed it ranks amongst the highest in the world—but that the aggregate increase would still leave us with a small aggregate population, while it would be to the advantage of both parts of the Empire, if greater production were made possible by mutual aid.

To bring out an immigrant, and more especially to settle him on the land with as reasonable prospect of success, several things are necessary. One is capital for transport, land purchase, equipment and training. Gibbon Wakefield recognised this, and the chief merit of his plan was that it induced British capitalists to buy Crown lands in Australia and with the purchase money immigration was financed. That expedient, however, is no longer available and it seems that immigration can only be successfully conducted by Government financial aid, which will not only meet the difficulty of transport, but of settlement. Another thing is the careful choice of those who are likely to prove successful in their new environment. The severity of conditions in rural Australia, especially in the inland areas, for small struggling settlers is not easily realised even by Australians, who are largely a race of city-dwellers. It

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is obvious that qualities of hardihood and capacity to endure life in wide spaces and comparative isolation are desirable in intending immigrants. Although farming conditions are not very like those in Great Britain, yet immigrants with experience of the land are much more likely to do well than the town bred. But these are the people whom, although they may desire to emigrate, Britain least wishes to lose.

III. THE QUEENSLAND ELECTIONS*

ON May 12 the Labour Government of Queensland, led by Mr. Theodore, went to the electors with a majority of one; they came back again triumphantly with a majority of 14. In the new Parliament, Labour has 43 members, whilst the Opposition of 29 is made up of 17 members belonging to the United party (which represents the old Nationalist party, with a few Country party members) and 12 belonging to the Country party. For several reasons the elections were of unusual interest and importance. The fate of the single remaining Labour Government in the British Empire—a Government whose record has been debated by the friends and antagonists of Labour throughout the Empire—had a significance stretching far beyond Queensland. The bearing of the elections on Australian national politics is specially important. Not the least interesting point in this connection is the future of Mr. Theodore, who is unquestionably the ablest leader which Australian Labour possesses, and its most challenging and enigmatic personality. He has denied that he has any immediate intention of entering Federal politics, but whether the Federal Labour party can afford to forego his leadership in the next Federal elections remains to be seen. A careful analysis of the Queensland elections is all the more

* This article, which is strictly limited in scope, was preceded by a full discussion of Queensland politics in *THE ROUND TABLE*, No. 52, September 1923, pp. 860-1.

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necessary in view of the wholesale charges of gerrymandering which have been brought against the Labour Government.

The burden of the charges made by the anti-Labour parties and Press is that (to quote the words of the *Sydney Morning Herald* in its issue of August 15 last) "Labour is in power in Queensland to-day not in accordance with the will of the people, but because of electoral manipulation of a very gross nature." The analysis of the results issued by the United party attempts to prove that Labour was actually beaten on the aggregate vote by a majority of 14,369 (Labour 184,562 votes, Opposition parties 198,931).

The question whether or not Labour received a majority of votes in the election is of considerable importance in view of the widely differing estimates which have been made. As against the Opposition's claim to a majority of 14,369, the Attorney-General in Mr. Theodore's Government in his analysis of results issued to the Press on July 21 last claims a Labour majority of 478. Though the claim seems modest, it would represent an important turnover of votes, since in the 1920 election Labour was in a minority of 16,000 to 21,000. An impartial and thorough examination of the election results indicates that the Labour claim to a small majority on the aggregate vote is fully justified.

How on this small majority of votes can we explain Labour's majority of 14 seats? To the charges of gerrymandering it is not sufficient to reply that with single-member constituencies (even with a system of optional preferential voting as in Queensland) a slight swing-over of votes may give a greatly exaggerated majority in Parliament. Two minor charges may be dealt with first. The Labour Government is accused of beginning large public works in several electorates with the intention of using the "navvy" vote thus introduced to turn the scale in its own favour. This is a charge frequently made against Labour Governments, and they could hardly avoid it unless they refrained from initiating any public works for a considerable

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period before an election. In this instance the charge may have some justification. But in the case of the Port Curtis electorate, which is cited as the most glaring illustration, the Labour reply is worthy of note. It is pointed out that the electorate contains the Burnett Valley, which is being opened up by railway and irrigation works—not in virtue of any new policy, but simply in execution of one which has been discussed between the State and Commonwealth Governments for years. The navy vote probably turned the scale, but the electorate was always Labour up to the election before last. The second charge is that Labour deliberately inflated the rolls. The charge is due to the fact that the State rolls showed nearly 63,000 more names than the Federal rolls used in the Federal election five months previously. In this election Labour secured two seats out of ten and was in a minority of 33,585 votes on the total votes cast in Queensland (it must be remembered that the issues and leadership were different, being Federal and not State). The discrepancy is serious. But the anti-Labour forces spent much money and employed capable agents to check votes, without apparently being able to discover any direct evidence for the alleged inflation. A more probable explanation of the deficiency seems to be that the Commonwealth rolls were not kept up to date.

The most serious charges of gerrymandering relate to the redistribution of constituencies which occurred two years before the election. This was the work of a Commission appointed by the Government. The Commission was composed of three civil servants, who are alleged to have been without previous experience. But for a Commission of this character there appears to have been some sort of precedent under the former Liberal (Denham) Ministry. When the Commission was appointed by the Labour Government no objection seems to have been raised against its personnel. When it reported its scheme of redistribution some criticisms appear to have been made, but the confidence of the Opposition in their ability to beat

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Labour in an election was not appreciably lessened. There seems to have been no great or general outcry by the Opposition parties until after the election when they were confronted with the task of explaining their defeat. In reply to the charge that the average quota for seats held by Labour was well below the average quota of Opposition seats, Labour points out that the majority of its seats lie in the country, and that it has always been recognised in Australia as fair to give a greater value to the scattered country vote than to the concentrated urban vote. With regard to the charge that the Commission deliberately manipulated boundaries to suit Labour, the verdict must remain doubtful. On the face of it several of the alterations look rather unduly favourable to Labour. But only a careful investigation of the problem confronting the Commission could determine whether they had been influenced by considerations other than those normally permitted, such as "community or diversity of interest, means of communication, physical features, the area of proposed districts which do not comprise any part of a city or town."

On the whole question the verdict must be that while the redistribution scheme certainly worked favourably for the Labour Party, there is no evidence that this was due to any deep laid scheme on the part of the Labour Government. In fact, if there had been any such deliberate scheme in 1921 when the Commission was appointed to undertake a work which was long overdue, the result must have seemed to the plotters singularly ineffective when viewed in the light of the political outlook at the time. At the general election in October, 1920, the Labour majority crashed from 24 to 3, and soon after it fell to 2. This was followed by disastrous defeat, all the more significant because it came after the introduction of adult suffrage—at the Brisbane Water Board elections in February, 1921, and in the Municipal Elections in July, 1921. In the light of these events it was generally felt that Labour must inevitably fall at the next election. There is no evidence that at the

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time either the Opposition or the Government thought the redistribution would make much difference to the result.

While redistribution proved a factor in the Labour victory it does not appear to have been one of the controlling factors. These factors may be summarised as follows :—

(1) The Opposition was disunited and its leadership weak. The attempt to fuse the Nationalist and the Country parties was only partly successful. Though a working agreement prevented overlapping in all save four constituencies, the Opposition faced the Government with divided ranks and a divided mind. Its party leaders failed to inspire trust in their followers. (2) The personal ascendancy of Mr. Theodore. Electors found it difficult to believe him the unprincipled Bolshevik his opponents would make him out to be, when those same political opponents repeatedly made overtures to him to become the leader of their party. His ascendancy in his own party was strikingly shown by the way in which at the annual Labour Conference held before the Elections he dominated the proceedings from start to finish—despite the fact that the Conference met in a spirit somewhat hostile to him. (3) The policy of Labour was moderate, more positive, and apparently more attractive than that of the Opposition, whose anti-State enterprise principles may have seemed a little difficult to square with their readiness to accept Mr. Theodore as their leader. It is probably correct to say that the thoughtful elector, not strongly attached to either party, believed that Mr. Theodore was more likely to accomplish useful and moderate reform than any of the Opposition leaders, and saw in his policy elements of statesmanship lacking in theirs. Attention may be drawn, for example, to the scheme for the organisation of agriculture on a co-operative basis, which was launched by the Government in 1922. Just before the election Mr. Theodore stated that “this organisation already has 690 local branches, with an aggregate membership of 21,000 working farmers. Its central administration, known as the Council of Agriculture, has formulated plans

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to deal with fodder conservation involving the storage of 300,000 tons of lucerne hay, the stabilisation of prices and markets for dairy products, and rural credits to finance co-operative enterprises and individual settlers." This scheme, upon which Mr. Theodore has been working for some years, represents the first serious attempt yet made by Australian Labour to solve the problem of rural organisation. Its success or failure will have a vital bearing on the future of Labour in Australia.

Australia. September 25, 1923.

SOUTH AFRICA

I. THE NATIONALISTS AND THE IMPERIAL CONFERENCE

THE interest of South Africa in the restoration of peace to Europe is a subject on which General Smuts is never tired of descanting. Speaking on September 3 at a farewell banquet given to him at Pretoria before he left to attend the Imperial Conference he said :—

If we can have peace in Europe, if Europe can assume its normal peace activities again, the conditions for young producing countries like ours will be enormously improved in every respect. Therefore, quite apart from the point of view of high ideals, quite apart from the point of view of high politics, but purely from the material point of view, from the lowest level, it will be of enormous advantage if we can secure peace in Europe.

This truth has been impressed on all South African primary producers with overwhelming force during the last two years, and yet any suggestion that South Africa should co-operate in any way in attempting to ameliorate the condition of Europe evokes the most bitter opposition from the Nationalists. Their attitude is founded on the argument that if South Africa concerns herself to the slightest degree with the condition of Europe, if she becomes jointly responsible for any action Great Britain may take towards the pacification of Europe, she will inevitably find herself committed to shouldering other incalculable responsibilities with which she should have no concern.

This, of course, is only another revelation of the attitude

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of isolation towards the affairs of the outside world which has always been characteristic of the older population of the Union. Olive Schreiner, in the book of her essays published recently, attributes it to their language, which effectively cut the Boers off from intercourse with the outside world. Whether this be the real cause, or whether it is not due mainly to the huge areas of the old farms, which bred in the heart of each family a desire to live where all neighbours' smoke would be invisible, the fact remains that the outlook of the Nationalist element amongst the Boers towards world problems is immovably based on the assumption that South Africa can, so to speak, be hung in space, and develop a little world all her own. This deeply ingrained trait becomes apparent not only where foreign affairs are concerned, but also exercises an influence in favour of the protection of local industries and the limitation of immigration, and makes it difficult for a South African Prime Minister to advocate at Imperial Conferences policies which involve some sacrifice of parochial South African interests for the benefit of some larger ideal.

On two occasions during the last session of Parliament did this mental attitude display itself. The first was on May 29, when Senator Reitz moved in the Senate that the Union should forthwith withdraw from the League of Nations, and wash her hands of all further responsibility for the Treaty of Versailles. The second was in a debate in the House of Assembly on the Prime Minister's vote, wherein General Hertzog pointed out that the Imperial Conference would have to discuss an international policy for the Empire "in view of the forthcoming war," and demanded to know to what extent South Africa was committed by the Prime Minister taking part in that Conference. He asked for an assurance that Parliament would have free choice when the time came to say what attitude it would adopt. This assurance General Smuts at once gave, and General Hertzog expressed his satisfaction at hearing it. Nevertheless the spectre of an inevitable war con-

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tinued to haunt him and led him into a most remarkable outburst in August.

The South African Party Congress met at Bloemfontein on August 15 and was opened by General Smuts, who again took the opportunity of emphasising the gravity of the European situation :—

They knew how grave it was. As a matter of fact it was graver to-day than it had ever been before. No words of his could describe the seriousness and gravity of the situation as it existed that day. Perhaps it would be better for him not to say too much then, but it was quite clear from what was happening that the occupation of the Ruhr by France and Belgium was largely responsible for what was happening in Germany. Germany was going under. Germany was on the brink of a precipice, and if things went on much longer as they were going now it might mean the break-up of Germany as a State. Very few of them realised what that meant. The break-up of Germany would have a far more serious effect on Europe and the world than the fall of Russia five years ago. If Germany, which was the most powerful and greatest State in the centre of Europe, broke up, the clock might be put back a hundred years or more in Europe and the situation might become very serious.

This drew from General Hertzog what General Smuts afterwards described as "two columns of hysteria," of which the following are characteristic excerpts :—

A new European war stares us in the face, and this time with France. That is the message which General Smuts felt called upon to make us last week on the occasion of the South African Party Congress. The fact that the message had to come from the lips of the Prime Minister of our country is sufficient assurance of the very dangerous position to which we have come in regard to the ally of yesterday. . . . Only the representatives of the people assembled in Parliament have the right of declaring whether the Union should take part in a war and what share we should take in it. . . . If General Smuts does not summon Parliament before his departure for England in order to obtain the necessary mandate in regard to the existing situation in Europe he will not only have acted unconstitutionally, but will also have caused such a breach in the rights and freedom of the people that discord and bitterness will come and will again play a leading rôle in the country.

The danger of such wild talk, as General Smuts pointed out

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in his reply, is the mischief it may do South Africa abroad where people are not acquainted with General Hertzog's usual violence of expression. Nothing in General Smuts's speeches can reasonably be construed as an announcement of approaching hostilities between France and Great Britain, and yet Parliament is to be forthwith summoned to discuss this remote contingency as if it were already a fact, or another "armed protest," such as was witnessed in 1914, may be expected. It is indeed impossible to take such flights of imagination seriously, and yet they represent the official attitude of His Majesty's Opposition in the Union of South Africa, and they find their origin in the psychology of a large part of its population.

II. NATIVE AFFAIRS

The Bondelzwarts Affair

SOUTH-WEST AFRICA is a long way from the Union, and a mandated territory is, or rather was, very much the same as a foreign country, so that when, in May, 1922, the newspapers announced that a tribe of Hottentots in South-West Africa had defied the Government and were in armed rebellion, the matter was no more real to the people of the Union than had been the Herero rebellion against the Germans in 1896. Newspaper enterprise, however, made the most of the outbreak, and soon the Press of the Union was filled with scares of a protracted military campaign, the spread of the rebellion into the Union and the expense of a Native War. Then followed news of the dispatch of aeroplanes, hints of military blunders, and stories of drastic punishments. Parliament was sitting at the time, and General Smuts promised that the report of the Administrator would be presented to Parliament at the earliest possible moment. In his report the Administrator took up the position of a man defending his actions instead of explaining a situation, and produced so *ex parte* a state-

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ment that people began to believe that there was truth in the charges of oppression by excessive taxation, unskilful conduct of negotiations, and the like which were being made in the newspapers. At any rate the killing of more than a hundred Hottentots, including some women and children, could not be passed over.

An enquiry was demanded, and General Smuts entrusted this to the permanent Native Affairs Commission of the Union. Their report contained both a majority and a minority report. Senator Dr. Roberts and Dr. Loram, while giving the Administrator credit for good intentions and ceaseless activity, criticised, albeit in moderate and guarded language, his actions during the crisis, condemned the Native policy of the Territory and made suggestions for reform. General Lemmer, the third member of the Commission, disagreed entirely with his colleagues, and approved of both the Native policy of the Administrator and of his actions in dealing with the situation. Public opinion was divided. One section, including practically all the Dutch-speaking South Africans, with whom the Administrator as a true son of South Africa and as a very efficient Clerk to the Legislative Assembly was popular, seemed to think that Mr. Hofmeyr had only done his duty and that the "severe and lasting lesson" inflicted on the Bondelzwarts was fully deserved. Another section of the community, including the more influential English newspapers, while admitting the difficulties, felt that the Administrator had not acted wisely in the crisis and that the natives had not been treated as a "sacred trust" by the mandatory Power. General Smuts, in commenting on the matter in the Budget debate, contented himself with the statement that Mr. Hofmeyr's action had probably saved the country a protracted war, and that the report of the Native Affairs Commission demonstrated the two different opinions regarding natives held in this country, the difference between the views of the missionary and those of the colonist, a difference as old as South Africa itself. He

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informed Parliament that the reports would be submitted to the League of Nations and that Major Herbst, formerly Secretary of South-West Africa and now Union Secretary for Native Affairs, would attend the meeting of the Mandates Commission at Geneva to supply any further information desired. The Mandates Commission, however, has not been content with this, but has blamed the Union for not supplying a further report. It is difficult to see what more the Union Government could have done without appearing to wish to prejudice the judgment of the Mandates Commission.

The Mandates Commission has now published its report to the League. It accepts generally the views of the majority report of the Native Affairs Commission, criticises the administration of Native affairs in the Territory in the past, holds that the trouble might have been averted if the negotiations with the Hottentots had been entrusted to other than the police, regrets that the Administrator should have felt it necessary to take personal charge of the military operations, approves of the remedial measures which have already been taken, and urges that the sufferings of the Bondelzwarts be relieved and that their economic life be restored.

Sir Edgar Walton, the Union's High Commissioner in London and one of its representatives on the League, in commenting on the report, disagrees with many of the conclusions, and says that the report will be read in South Africa with bitter feeling. If we can gauge South African feeling aright we do not think there will be much bitterness. It is, we suppose, too much to hope that political capital will not be made out of the report, but the majority of the people of South Africa, even if they do not accept the Commission's conclusions, will accept the censure calmly, will see that the reforms demanded are carried out, and will proceed with the administration of the Territory with an added sense of responsibility. We believe that the League can safely leave the matter where it stands.

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The Urban Areas (Natives) Act

The passing of the Urban Areas (Natives) Act was the outstanding event in the last session of Parliament. Legislation on the housing and control of natives in urban areas has long been overdue, for the influx of thousands of natives into the cities during the past thirty years has resulted in social, hygienic, and economic problems beyond the powers and resources of most municipalities. The situation is undoubtedly worst in Johannesburg, Cape Town, Port Elizabeth and other large towns, but it is admittedly bad in all towns throughout the Union, with the exception of Bloemfontein and Durban, where it has been faced with courage and wisdom. No proposed legislation has ever been more thoroughly discussed with all sections of the community. The Native Affairs Commission has held over fifty meetings with municipalities, groups of natives, and other bodies all over the Union; the matter was ventilated in the Press for many months, and the Parliamentary Select Committee on Native Affairs, which was specially augmented to secure representation of all political parties, worked daily for almost three months in hearing evidence and in deliberating on the proposals.

The fundamental idea in the Bill was that the duty of providing for the accommodation and control of natives should devolve upon the municipality, which should, however, be given sources of revenue for the expenditure involved and powers of segregation and exclusion of natives where these were considered desirable. The natives were to have a considerable measure of personal freedom in their own villages and locations including security of land tenure, were to be protected from exploitation, and were to learn the beginnings of self-government by means of advisory boards. The Government was to frame regulations for the carrying out of these proposals, and in the event of a municipality failing to do its duty was empowered to take over the native area in the town concerned, effect

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the necessary reforms, and administer native affairs at the expense of the offending municipality.

The Bill as presented to Parliament embodied the views of the natives, and it has been a bitter disappointment to them to find that Parliament has not agreed to views which appear to them to be vital to the situation. The chief grievance is the reduction of the freehold title proposed in the Bill to one of leasehold in the Act. The natives point out that many of them have become permanent town dwellers and have proved themselves fit to assume the duties and responsibilities of city life. If they are to be segregated from Europeans they claim the right to own land in their own areas. European opinion, as reflected in the Act, shows a determination to regard the town as a European area and an unwillingness to regard the presence of natives as anything more than a temporary phase.

The Act comes into operation on January 1, 1924. Special officers will be appointed by the Government to administer it, and the local municipal officers have to be licensed by the Government. With this corps of selected officials and with the example of Durban and Bloemfontein before them it should not be impossible to make a practical success of a very beneficial piece of legislation.

The Pretoria Native Conference

The Native Affairs Act of 1920 provides that the Governor-General may summon conferences of chiefs, leading natives and representatives of native political and industrial organisations to confer with the Native Affairs Commission on matters affecting them. The first conference under this Act was held in Bloemfontein in April, 1923, and the second in Pretoria from September 24 to 26. The difference between the two conferences is most marked, and shows how rapidly native affairs are moving. At Bloemfontein the delegates were called together in private session to consider a special piece of proposed legislation, but at the Pretoria meeting, before the consideration of the

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legislation was begun, the natives asked for open doors, publication of minutes, annual meetings, and an improved system of representation. In short, the gathering became much more than a conference, and to many it seemed as if a new legislative body, the House of Natives, was being born. That some such parliament will be created in the near future seems probable. It is in keeping with the segregation policy of the ruling Europeans, the value of ascertaining native opinion is generally recognised, and a skeleton of the necessary machinery exists in the local and general councils provided for in the Act.

There was a most interesting discussion regarding the constitution of the Conference. Hitherto the members have been nominated by the Governor-General, and while it is admitted that the choice has been wise and impartial, the delegates point out that as long as they are nominated, they and the Conference will be suspected by the mass of the natives. One delegate proposed that one-third of the members should be nominated by the Government, one-third selected by the native chiefs, and one-third elected by native political and industrial organisations. The impracticability of this suggestion and of subsequent amendments resulted in the matter being postponed till next Conference. The discussion was useful inasmuch as it brought home to the delegates the need for the establishment of councils, which are the proper bodies to send representatives to the Conference.

Of the subjects discussed the new Pass Law and the Native Marriages Act were the most important. The Pass Law proposes that instead of the numerous and vexatious laws regarding passes there shall be one law for the whole Union. Every male native on attaining the age of 18 (or earlier if he leaves home with his parents' consent) shall receive a registration certificate which will carry him all over the Union and without which he cannot travel beyond his own "ward." A ward is a magisterial district except in the Cape, where the Colony proper, the Transkei

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and Bechuanaland constitute the three wards. Natives with certain specified qualifications may receive exemption certificates, but these, like the registration certificates, must be shown on demand. An important proviso is that this system shall not apply to places where no pass system at present exists, so that the Cape natives will escape this law.

The necessity for the Native Marriages Act arises from the fact that the dowry given for a wife (the *lobola*, as it is called), is regarded in the Cape (exclusive of the Transkei), the Transvaal and the Orange Free State as an immoral consideration, and cannot be recovered in a court of law. The hardship of this can be realised by those who know how strongly entrenched the *lobola* custom is in native life. The relief afforded by the proposed law was accepted by the Conference, and the measure should pass next session unless it is blocked by those "friends of the native" who are unwilling to allow any differentiation between white and black.

In connection with the Urban Areas Act, the anxiety of the Conference was to obtain sufficiently long leasehold tenure to make it worth while for the natives to put up decent houses. A further request was that the natives should be consulted before the regulations under the Act are drawn up.

The meetings were held in the Raadzaal in Pretoria, and already protests have been made by Nationalists against the use of a building hallowed by the use of President Kruger and others for the purposes of a native Conference. It is hard for those who will not see to judge the signs of the times !

The Dutch Reformed Church Native Conference

Special significance attaches to the Conference on Native Affairs called by the Federal Council of the Dutch Reformed Church inasmuch as that church has hitherto been regarded as apathetic, if not actually hostile, where

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the development of the natives in the Union was concerned. Although the Dutch Reformed Church is said to contribute more per caput to mission work than any other South African church, its missions are for the most part outside the Union, and the recent action of the Cape Branch of the church in following the example of the Transvaal and Orange Free State churches in separating its native from its European congregations had been severely criticised by native writers. That this body should call a Conference of missionaries, Native Welfare Society workers, and representative natives to deliberate on the native question caused considerable interest and not a little hope among those who realise that the Dutch Reformed Church is probably the most influential social and political force in the country to-day.

The subjects dealt with were native education, the Urban Areas Act, social betterment, segregation, the land question, the political rights of the natives, and Christianity as the only basis for a native policy. The high level of the papers and speeches and the moderation of the natives' views have created a very favourable impression, and it is expected that the dissemination of liberal views on native matters through pulpit and Press will result.

The Conference recommended that native education be taken out of the hands of the Provincial Councils and be placed under the direct control of the Union Government. There seems every likelihood of this being done now that the Union Government has assumed full responsibility for the financing of native education. The step was perhaps inevitable, but it has certainly been hastened by the illiberal attitude towards native education of the Provincial Councils of the Transvaal and Orange Free State.

The discussion on the Urban Areas Act followed the lines of the Pretoria Conference already referred to, but in connection with the social betterment proposals a truly awful situation regarding gambling, immorality and other forms of vice was disclosed. It was felt that the new Act

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would improve matters very considerably by providing better housing and stricter control, but that it would not meet the spiritual and intellectual needs of the people. The Conference invoked the aid of the Y.M.C.A. and Y.W.C.A. in this connection.

On the question of segregation the feeling of the Conference was that complete geographical segregation was neither possible nor desirable. Where segregation existed, as in locations and reserves, it should be continued, and if further land could be obtained for the exclusive occupation of natives so much the better. "Differential development" for the Bantu based on Bantu traditions and requirements rather than territorial segregation should be aimed at. The view was put forward that an equitable distribution of land would allow natives to return to the rural areas, whereupon the manual work in the cities could be done by the poor whites. There is much to be said for this proposal in view of the comparative failure of the poor white on the land and his need for the discipline and hard work inseparable from the "Kaffir jobs" in our towns.

Strong resolutions condemning the present unsatisfactory state of the Land Act of 1913* were passed. It was urged that more land should be secured for the tribal occupation of natives and that the financial assistance given to Europeans through Land Banks and Settlement Boards should be made available for natives who were holding their land on individual title. The Government's native land administration was closely studied, and the unfairness of allowing Europeans to purchase Crown Lands in European areas and of not allowing the same privilege to natives in black areas was pointed out.

On the matter of the political rights the Conference contented itself with urging that the principle of self-government through councils be developed.

In due course these resolutions will be forwarded to the Government. It may be that they will be there shelved,

* See ROUND TABLE, No. 34, March, 1919, p. 405.

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but it was clear from the spirit of the Conference that this could not be done indefinitely, and it is possible that these resolutions, supporting as they do the Pretoria resolutions and the policy of the Native Affairs Commission, may have a far-reaching effect.

III. SOUTHERN RHODESIA

IN October, 1922, the electors of Southern Rhodesia decided, by a substantial majority, to accept the powers and liabilities of responsible government rather than enter the Union of South Africa as a fifth province. The issue was clear cut, the terms of the Letters Patent on the one hand and of the Union's offer on the other were well known,* and the Rhodesians chose to stand or fall by the Letters Patent. Two questions remained to be settled, the date and procedure for the transference of the reins of authority from the British South Africa Company to the first Rhodesian Governor and Ministry, and outstanding financial disputes between the Company and the Crown. With the latter the Rhodesians always claimed they had nothing directly to do; it was admitted on all sides that the establishment of responsible government was possible without the settlement of the issue; but it was equally admitted that, though possible, such a course would be highly inconvenient. The difficulty arose out of the two closely allied questions which have formed the substance of Rhodesian politics since 1899, the unalienated lands and the Company's administrative deficits. The Privy Council in 1918 decided that these lands, which the Company had long regarded as its own, were Crown Lands; the Cave Commission in 1921 awarded the Company a refund of some £4,435,000 secured upon those lands, less certain amounts for lands already taken by the Company

* THE ROUND TABLE, Nos. 48 and 49, September and December, 1922, pp. 902 and 201, *et seq.*

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for its own use or granted to others for consideration other than cash. H.M. Government proposed to pay off the "Cave sum" piecemeal as the lands were disposed of by a Crown agent; meanwhile the Company would retain a lien on the Crown Lands in a self-governing Rhodesia. Once the debt was liquidated, the lands, or what was left of them, would go to the Rhodesians. The Company, on the other hand, claimed full payment in cash with interest as from March 31, 1918, on the day its administration ended, and filed a petition of right against the Crown to enforce its claim. The Crown retorted by reminding the Company of £2,000,000 which had been advanced to it for its war expenditure.

These questions touched only Southern Rhodesia. In Northern Rhodesia the Company held large land and mineral concessions, besides being deeply interested in the railways; on the other hand, its administration was faced with an annual deficit of about £100,000. The cost and inconvenience of ruling such a territory would become greater than ever once its authority south of the Zambesi ceased; the Directors made no secret of the fact that they would gladly lay down their administrative duties there.

The Legislative Council of Southern Rhodesia met towards the close of May. It was informed that the Letters Patent would be promulgated on October 1, whereupon the Company's administration would cease; but that the Company would close its account with the Crown on March 31, the end of the financial year 1922-23. In other words, owing to the impossibility of dividing the finance of the year into two water-tight compartments, the Company would administer the country for six months after its financial liability had ceased, while the Legislative Council must vote the Budget for 1923-24 as a whole, but would control the expenditure of the proceeds only during the latter half of that period. Should there be a deficiency on the date of handing over the administration, the Imperial Government would make it up, provided the loan was

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repaid by the Rhodesians as speedily as possible. From this arrangement it followed that the Company would take any balance of administrative revenues existing on March 31. There were further difficulties of a financial kind. The Crown had to face the possibility of the Company winning its petition of right in whole or in part, or of seeing that petition still before the Courts on the day the Letters Patent came into force. The Colonial Secretary therefore proposed that, pending the decision of the Courts, the clause in the Letters Patent governing the disposal of the Crown lands on which the "Cave sum" was secured be suspended and a provisional arrangement made, and that some changes be made in the method of paying the Company for the public works taken over in terms of the Charter. He did, however—and this was the most hopeful part of his two dispatches—hint at a general settlement of the Company's claims on both sides of the Zambesi.

On June 1 the Budget was introduced. The Treasurer announced that the deficit for the preceding year had been added to the amount due from the Crown to the Company and that the unexpended balance of the surplus of the year before that (1921-22) had been brought into the account to reduce the said amount. In other words, the Company had retained the balance. At once the elected members were up in arms. Hitherto any surplus had been carried over to fill up a possible deficiency in the succeeding year; since the decision of the Judicial Committee of the Privy Council in 1918, elected members had been given to understand clearly that they must no longer reckon on the cheque-book of the shareholders for capital expenditure, and that deficits must be avoided. To secure that end necessary public works had been held over and economies practised in the public service. The Budget had envisaged a deficit each year; but till the middle of 1922 a surplus had been realised. By closing its books in March the Company annexed a considerable unexpended balance and left Rhodesia to face a deficit on the current year. Worse still,

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they alleged that the Company, by taking the unexpended surplus, while it was still the Government of the country, without any vote by the Legislative Council, had broken the Order-in-Council of 1898 on which the Rhodesian constitution rested.

The debate on the Budget was adjourned for ten days to give time for the receipt of a reply from Downing Street to the members' protest. That reply was soon forthcoming. The Secretary of State explained that the Judicial Committee had decided that the Company at the close of its administration must be reimbursed for its administrative outlay. This could only be done if the total administrative expenditure was balanced against the total administrative revenue, and it was on this principle that the Cave Commission had worked. He admitted, however, that the proposal to close the books on March 31, 1923, had emanated from London Wall and that the Crown had no desire to press it if an alternative course could be suggested. To this the elected members replied, repudiating the idea that either the Judicial Committee or the Cave Commission had anything to do with the disposal of surpluses, the proceeds of taxes voted by themselves for the service of the country; suggesting that the Company should carry on the administration till September 30, and hand over any cash balance there might then be along with the reins of government; and promising all constitutional resistance to the actual course proposed by the Company and acquiesced in by the Crown. On the other points raised, they declined to consider any of the financial modifications suggested by the Secretary of State. They held that these matters had been settled by the Letters Patent and by Mr. Churchill's dispatch of August 11, 1922, on the eve of the referendum. On that basis the referendum had been taken; from that basis they refused to budge.

It was in vain that the Treasurer pointed out that £150,000 of uncollected revenue would fall to the incoming Government, that it would secure some £250,000 worth of

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movable assets without payment under the Cave Award, in spite of the Company's protests ; that the Company would hand over the pension fund as soon as it got a full discharge of the amount and a guarantee that pension liabilities would be honoured. The elected members retaliated by claiming £147,000 revenue from land accrued in 1918. The only way out of the *impasse* was to adjourn the House for a month until July 23.

Meanwhile, for some time past, Sir Francis Newton had been in London negotiating with the Colonial Office. On July 13 the news arrived that a general settlement had, indeed, been reached, not only with respect to Southern but Northern Rhodesia as well. The new Administration in Southern Rhodesia undertook to pay to H.M. Government on or before January 1, 1924, £2,000,000, and to repay the £300,000 advanced by Great Britain during the past two years. As an offset she would receive the unalienated land and rights of the Crown appertaining thereto, public works and buildings, movable assets, excess of debtor over creditor balances, the much debated pension and other special funds, and the net land revenues for the six months of 1923 during which the Company would be relieved of financial responsibility for the administration of the country.

After the storm, a calm. The Company and the Southern Rhodesians saw their financial differences swept away at a stride. An equally comprehensive settlement was reached between London Wall and Downing Street—after many years. The Company agreed to accept £3,750,000 down on the nail at the close of its administration in full discharge of its claims under the Cave Award, provided the Crown waived its claim for a refund of the £2,000,000 advanced to the Company for its war expenditure. The Company, of course, was to give up its lien on the Crown lands and possession of all other assets, which were to be transferred to the new Administration ; on the other hand, it was once more recognised as owner of the mineral rights in Southern

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Rhodesia. The railways are all privately owned, for the most part, directly or indirectly, by the Company itself.

In short, the Crown waives a claim to £2,000,000, expends £3,750,000, and recovers £2,300,000 from the Rhodesians. As a cash transaction, from the point of view of the British taxpayer, the most patient of mortals, it might have been worse. A shareholders' meeting accepted the settlement; the Imperial Parliament voted the necessary funds; the Rhodesian Legislative Council went on its way rejoicing; and on September 12, the thirty-third anniversary of the occupation of Mashonaland by Rhodes's Pioneers, the Administration announced to a small and orderly crowd, including twenty of those Pioneers, assembled in Salisbury, that:—

Whereas the Territories . . . are under the protection of His Majesty the King: And whereas British subjects have settled in large numbers in the said Territories, and it is expedient . . . that they should be annexed. . . . From and after the coming into operation of this Order the said Territories shall be annexed . . . and shall be known as the Colony of Southern Rhodesia.

The Company's flag was lowered, the Union Jack run up, and *Finis* written to an eventful chapter in the history of chartered companies.

The transference of authority has since taken place. Sir John Chancellor, the newly arrived Governor, called on Sir Charles Coghlan to form a Ministry, which took office on October 1. The Cabinet includes, besides protagonists in the struggle for responsible government, Sir Francis Newton and another ex-Company official, whose administrative experience will be of great value to the new régime. The country is faced with a deficit of £63,000 and the necessity of raising a loan of £3,000,000 with which to pay the Imperial Government its dues and to meet capital expenditure. But deficits are part of the normal furniture of governments nowadays, and there is no doubt that Southern Rhodesia can raise and carry the loan. The

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"Responsibles" are full of hope and confidence; and, though the pro-Unionists have in no wise abandoned their aims, they are prepared to give the new system a fair trial.

The Crown will not relieve the Company of the administration of Northern Rhodesia till April 1, 1924. It will then take over all public works, movable assets and so forth; all administrative and commercial rights, other than mineral, conceded by Lewanika, King of the Barotse, in N.W. Rhodesia, certain similar concessions in N.E. Rhodesia, and all such rights to land in N.W. Rhodesia as the Company "claims to have acquired by virtue of the concessions granted by Lewanika," rights which, as far as the public is concerned, await more precise definition. The Company will not receive a refund of its administrative deficits; on the other hand, it will receive £50,000 towards the actual deficit for the year 1923-24, less a proportion of the proceeds of the land during that period, and, by the space of forty years, half the net land revenues of N.W. Rhodesia. It will retain three freehold areas in N.E. Rhodesia; its mineral rights throughout will be safeguarded as fully as in Southern Rhodesia; the railway companies will be similarly protected. No new lines will be constructed unless H.M. Government is satisfied that the existing companies cannot or will not provide the necessary facilities, and that the proposed railway will not unduly harm their interests. No mention is made of the form of government under the new régime. At present the powers of the Company's Administrator are tempered by a purely advisory Council elected by the 5,000-6,000 European settlers dwelling in what is mainly a huge native territory. It is hard to imagine that the Crown, for a time at least, will make any radical changes in that system.

South Africa. October 17, 1923.

NEW ZEALAND

I. THE TWENTY-SECOND SESSION OF PARLIAMENT

THE twenty-second session of the New Zealand Parliament came to an end on August 31. Many long no-confidence debates—some of them productive of situations that were more awkward for the opposing parties than for the Government—took up much time in the earlier weeks, to the exclusion of all other business. The Ministerial majority was always exceedingly slender—in three or four divisions it sank to one—and hence the Government was never free from anxiety. The bulk of the important legislation was brought down in the last fortnight of the session, and the enormous pressure under which legislators were working affected the consideration which so many important measures required.

Relief for Soldier Settlers

The recommendations made by some eleven local Boards set up to enquire into the conditions of its soldier settlers, were embodied in an amendment to the Discharged Soldiers' Settlement Act—a measure which has received unqualified approval throughout the entire Dominion, for it makes exceedingly generous provision for the relief of the men. The case of every soldier settler who applies for a re-valuation of his land is to be investigated by new local committees which will make definite recommendations to a central Board. Each case will be dealt with on its merits,

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and it is estimated that the result will be a writing down of values of land purchased by the Government for soldier settlers by an amount of £2,000,000, with proportionate reductions of rents and mortgages. This is the loss the Government will have to meet on its expenditure of over £21,000,000 in purchasing land for, and in making advances to, soldier settlers.

The Act also provides for additional advances, estimated at £300,000, for those soldier settlers who require additional capital, the majority of whom are at a standstill until they can obtain more, while it gives power to suspend, without interest, payment of arrears of rent, if not more than two years old. Arrears of interest on mortgages can likewise be postponed for a period not exceeding the term of the mortgage. An attempt is to be made to reduce or amalgamate with Crown mortgages any second mortgage which may exist. An important feature of the measure is that the re-valuation and reductions shall date back as from July 1, 1921, while soldiers who have kept up their payments on land which it is proved has been over-valued, will be eligible to receive rebates for the amount thus overpaid. It is notable that the Act does not provide for any fixed scale of writing down. Each case has to be considered on its merits. Amongst the difficulties that will face the Board is the human equation, as to what extent the officials will be justified in allowing unsuitable occupants a reduction in valuation, while that of their more competent neighbours will be continued.

In presenting his report, the Under-Secretary for Lands points out that of the 7,625 repatriated soldiers placed on the land, the farms of 4,322 were inspected by the Enquiry Boards, and of these 50·6 were successful, 30·7 temporarily unsuccessful, and 18·7 were failures. On the other hand, about 3,300 soldier settlers did not respond to the invitation to have their farms inspected, and as it may be safely assumed that a number of these were successful men who were well satisfied with the conditions under which they

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were working, the percentage of successful soldier farmers will considerably exceed those given in the Under-Secretary's report. On the whole, therefore, the soldier settlers' scheme has proved satisfactory.

War Pensions

Further evidence of the care of the country for its disabled soldiers is given by the passing of the War Pensions Amendment Act. This Act carries out the recommendations of a Royal Commission which investigated the War Pensions system. Power is given to the War Pensions Board to grant an economic pension not exceeding 30s. a week to a disabled man, in addition to the ordinary statutory pension, but it is to be granted on economic grounds only. The principle underlying the statute seems to be that if the Government cannot find suitable employment for a disabled man, it will grant him an economic pension. Similar provisions are made in favour of the widow and children of a deceased soldier and of the widowed mother of a deceased soldier. Additional allowances are granted to soldiers for limb amputations, and also to those disabled men who require the services of an attendant.

The Act also makes provision for setting up a War Pensions Appeal Board. Appeals are to be allowed from the decisions of the War Pensions Board in all cases where a claim is rejected on the ground that the death or disablement of the soldier was not due to his employment as a soldier, or, in the case of disablement, that the condition of disablement was not aggravated by such employment. Appeals are also allowed against the assessment of a pension granted to a soldier in so far as the assessment is based on medical grounds. The importance of this Appeal Board is due to the fact that there is a wide belief that the effects of war services are in many cases appearing only after the expiration of a number of years. The Government has shown its sense of the importance of dealing fairly with all soldiers who claim that their disabilities are attributable

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to war service by appointing Sir Frederick Chapman, a Judge of the Supreme Court, as the President of the Appeal Board. With the provision for economic pensions and the appointment of an authoritative Appeal Board, it would seem that the Government has fully discharged its obligations to the ex-soldiers and their dependents.

The Dairy Export Control Bill

During the past Session no measure of legislation has received so much criticism on the part of the outside public as the Dairy Produce Export Control Bill, which was considered in Parliament on August 22, and passed on August 24, and which places the entire control and sale of the export of dairy produce in the hands of a Board of twelve members with compulsory powers; contracts made prior to October 1, 1922, and all exports under contracts if shipped before August 31, 1924, are excluded. Nine members of the Board are to be elected by the producers—six from the North Island and three from the South. Two other members are to be appointed by the Government.*

The Bill was a result of a promise by Mr. Massey that if the dairy farmers wanted a measure providing for compulsory co-operative marketing of dairy produce, he would undertake to produce it—in his speech on the Budget on July 17 he said:—

We will have a Dairy Produce Bill again this session. In so far as I am concerned, we are not taking it up for party purposes. It means nothing to me whether it passes into law or not, but if the dairy farmers of this country want legislation they have simply to say so and they will get it.

This utterance drew a good deal of criticism, and opponents of the measure held that this was a case of government of the people for the people by the farmers. They pointed out that the proposed legislation would deal

* The Government has also the power to appoint a third member to represent the manufacturers or exporters of dairy produce.

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with the largest unit of production in the country, and one which vitally concerned New Zealand's future, yet it was left to the farmers to dictate what should be done. Moreover, a very dangerous precedent of sectional legislation was established, and one which Labour would not fail to utilise to the full when it came into power.

On August 22, Sir George Hunter, on behalf of the Select Committee which had dealt with and heard evidence on the Bill, recommended that it should be proceeded with, with various amendments. Submitted by the Government as a non-party measure, an interesting situation developed, in which city members in the main, whether Liberal or Reform party, were against it. The majority of country members, both Reform and Liberal, were in favour of the Bill, while it is significant that it had the support of the Labour party—although a Labour amendment to the effect that the personnel of the Board should include two workers of a dairy factory was lost on a division. The proposal has met with very strong opposition—particularly from the section of the business community represented by the Chambers of Commerce. The most strongly contested features of the measure are those which give the Board compulsory powers. These are similar to those given to the Meat Control Board, which handles the export of frozen meat of New Zealand co-operatively, but which thus far has never put these powers into operation.

During the debate on August 23 the Prime Minister made an important concession by promising the insertion of a clause that the Bill should not take effect until a plebiscite of dairy farmers was taken. The proposal for a plebiscite was passed next day, and provides that a poll of all producers shall be taken before November. Two proposals are to be submitted—that the Act shall or shall not be brought into operation, and the Dairy Produce Export Control Act is not to come into operation unless and until a majority of the producers have voted in its favour.

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II. THE ECONOMIC OUTLOOK

THE quarterly returns of the banks doing business in New Zealand are always instructive, and those for the June quarter reveal a particularly satisfactory state of affairs. They show the deposits as being again substantially larger than the advances. Further, the note circulation has been considerably reduced. As compared with the same quarter of 1922, the fixed and free deposits show an increase of over £4,250,000, while as compared with the figures of the previous quarter they show an advance of nearly £2,250,000. The free deposits show a particularly substantial gain, the total exceeding that of 1922 by nearly £3,250,000. The free deposits are, of course, credit balances on current account, and it is gratifying to see that the customers of the banks are in a much better position—there is an improvement of nearly £2,000,000 as compared with the March return.

The movements of free deposits during recent years are most instructive. In the September quarter of 1920 they totalled about £36,000,000, for the same quarter 1921 they had fallen below £27,000,000, while at the end of the December quarter 1922 they were down to £23,500,000. June, 1923, again shows them as nearly £28,500,000, an improvement of nearly £5,000,000 in the past six months. This is combined with a very satisfactory contraction of advances from the banks to their customers, and the excess of deposits over advances in the period under review is now nearly £3,000,000, whereas from the beginning of 1921 to the end of 1922 advances were very considerably in excess of deposits. Note circulation is steadily declining—the decrease as compared with June, 1922, amounts to £574,076—or over 8 per cent.—and is another evidence of the favourable change in economic conditions.

The figures of national revenue and expenditure for the
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first quarter (April 1 to June 30) disclose two satisfactory movements—recovery of revenue and the continued holding down of expenditure—and are particularly interesting when compared with those of the corresponding quarter for the last three years, which were as follows :—

		Revenue.	Expenditure.
		£	£
1921-22	.. ..	5,080,194	8,012,370
1922-23	.. ..	4,791,766	6,499,408
1923-24	.. ..	5,225,565	6,483,828

The reports presented to Parliament covering the year which closed on March 31, 1923, disclose an excellent all-round period for primary producers, heavy and increased production in the main staples of export, easier financial conditions, marketing prices which were satisfactory on the average, and high rainfall in the main season, which unfortunately led to severe floods in areas liable thereto. The most phenomenal expansion was in the dairy industry, where, with a surplus output of 66,000 tons of butter and 60,000 tons of cheese, New Zealand advances to the position of the largest exporter of dairy produce in the world. She is the leader in cheese and runs close up to Denmark for first place in the world's butter supply. Further great expansion in this industry is confidently expected, as increasing tracts of land are being brought into production, and from the utilisation of better methods of feeding and herd testing.

The annual statistics taken in January last show an increase of 100,000 dairy cows in the Dominion, bringing the total to 50 per cent. higher than five years ago. The past few years have reported successive declines in the total Dominion sheep flocks (although the numbers of breeding ewes had steadily increased), but the figures as on April 30 last now show a substantial increase of over 859,000 sheep as compared with the previous year. High prices have ruled for export mutton and lamb, while record figures have

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been touched in wool of the finer qualities, and as a result of a substantial increase in value the Dominion's wool clip for the year is placed at some £12,000,000, an increase of over £4,000,000 as compared with the previous twelve months.

An important concession to the business community is the reintroduction of the penny postage, which takes effect as from October 1, combined with halfpenny inland post cards, and reduced postage charges on commercial papers, books and printed matter. The penny rate will apply to letters addressed for delivery out of New Zealand to all parts of the Empire, and to those foreign countries in whose case the letter rate is now 1½d. The concessions mean a temporary loss of approximately £250,000 revenue per annum, but it is anticipated that they will bring a largely increased business to the Department. With the reductions in force, New Zealand will again enjoy the cheapest postal rates in the world.

III. THE ARBITRATION COURT

THE past year has been marked by comparatively little labour trouble. The New Zealand system of wage regulation by Arbitration Court awards has undoubtedly proved a great protection to the wage earner during the recent period of falling prices through which the country has passed; were it not for the control of the Court it is certain that much greater wage reductions would have taken place. Prior to the war the Arbitration Court awards were effective for a definite period—usually two or three years—during which the wages fixed could not be altered or reviewed. In 1918, however, in response to agitation and insistent representations as to the hardship to which wage earners were subjected by rapidly rising prices, the Government passed legislation requiring the Arbitration Court to review wages at six monthly periods

The Arbitration Court

and make adjustments in conformity with the "cost of living." Consequently in 1919 the Arbitration Court declared a "cost of living" bonus which has been altered at each six-monthly period since in conformity with the increase or decrease in the "cost of living." This special legislation expires at the end of this year, after which wages will, as in pre-war days, remain unaltered until the expiry of the award.

It may perhaps be explained that in seeking an award of the Arbitration Court the initiative in a dispute may be taken either by an industrial union (or association of unions) of workers or of employers, or by an individual employer or employers. Workers may cite employers or *vice versa*.^{*} The workers may compel any of their employers to come under the Act, but the employers cannot compel their workers to come under it unless the latter have registered as an industrial union, and registration is voluntary. An award of the Court is binding upon the employers specified in the award, upon any employers commencing business in the district subsequently to the date of the award, and upon all persons working for such employers. Until two or three years ago it was the common practice for unions of workers to cite the employers as parties to a dispute, and only in rare cases did the employers take the initiative. For the last year or so, however, there have been a number of cases in which the employers have cited the workers' unions—*e.g.*, freezing workers, cooks and stewards, seamen, watersiders, dairy employees, shearers, coal miners. No less than thirty-two such cases have occurred during the last three years in the Wellington district alone. When an award of the Arbitration Court is filed it becomes binding on all the parties, and a strike or lockout becomes unlawful. While it has been the practice of the employers to accept the awards of the Court, in a few cases the workers have

^{*} Last March, it was by error stated that the power of citing the workers to appear before the Court was not conferred upon the employers. (THE ROUND TABLE, No. 50, March, 1923, p. 451.)

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objected and have struck work rather than accept the conditions fixed—as, for instance, the recent cases of the freezing workers, seamen and coal miners. In the first two mentioned cases prosecutions were instituted ; the workers concerned were fined, and eventually they resumed work under the conditions laid down in the awards. At the time of writing the case of the coal miners is still unsettled. There are nearly 600 awards and industrial agreements in force under the Industrial Conciliation and Arbitration Act.

IV. REDUCTIONS IN TAXATION

THE Land and Income Tax Amendment Bill introduced on August 15 gives further proof of the improving financial position of the Government, for it provides for a reduction of income tax by some 20 per cent. This means that those now paying the minimum of 1s. in the £ will pay in future a trifle over 9½d., while those on the maximum of 7s. 4d. will find the figure cut down to 5s. 10d. The duty on British Empire grown tea was abolished, while the amusement tax was halved. The Government also lightened the load of the farmer by entirely removing the super-tax on land.

In recent years the maximum rate of income tax payable in respect of interest derived from debentures of Local Bodies was only 2s. 6d. in the £1 and on debentures of companies 3s. This undoubtedly resulted in considerable capital investment in these securities which would otherwise have been available for mortgage advances on farm lands. In order to adjust more equitably the incidence of taxation on these investments and to make mortgage advances more attractive the Government increased the maximum rate of income tax on debentures, both of Local Bodies and of companies, to 4s. 6d. in the £. Where, however, the taxpayer's total income is assessable at a lower rate of income tax than 4s. 6d. his debenture interest bears that

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lower rate only. The proposed increase to 4s. 6d. met with such strong opposition from the Local Bodies of the Dominion that the Government had eventually to make it apply only in respect of issues of debentures subsequent to the passing of the Act—*i.e.*, after August 29, 1923.

One clause which received much adverse criticism throughout the Dominion, and which was strongly opposed by some of the Government's own supporters in the House, was the proposal to abolish the tax upon income derived from agricultural land. To this question on Tuesday, August 14, the House of Representatives devoted an all-night sitting, and the Government had a narrow escape from defeat on each of the three divisions. In opposition, it was pointed out that the exemption would not afford any relief to the bulk of the farmers, as those receiving less than £500 could not be affected by the measure. Hence the remission of taxation was practically a gift to the wealthy pastoralists who could well afford to contribute to the country's revenue.

V. IMPERIAL AFFAIRS

DURING the past two months the editorial columns of the newspapers of the Dominion have given an exceptional amount of space to discussion of the Imperial and Economic Conferences and of Imperial matters generally. One of the first and most important incidents to be dealt with was Mr. Massey's speech on July 5 on the Imperial Conference, and the subsequent debate thereon. Before proceeding to detail his views, he moved the following resolution, which was seconded by the Leader of the Opposition:—

That the resolutions passed at the Imperial Conference are only obligatory on any Dominion if they are confirmed by the Parliament of that Dominion—

a resolution which was subsequently claimed by the Leader of the Labour party, Mr. Holland, to be indicative of a

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change of attitude due to the operation of the Labour party. After dealing with various problems which would be discussed at the Conference, Mr. Massey for the first time disclosed the suggestions made by the British Admiralty for New Zealand's share in the general system of naval defence, and which called for the maintenance by New Zealand of the healthy nucleus of a seagoing squadron, for the provision of oil reserves, of docks and depots, and for assistance in equipping Empire naval bases. He then devoted some time to a discussion on constitutional problems, indicating his views thus :—

I hold fast to the constitutional procedure that when the Empire goes to war every part of the Empire should be at war also.

He also advocated a very important step in Imperial relationships, urging that each Dominion Government should have the same right as the Ministers representing the Home Government of approaching the Sovereign, thus :—

We have never yet got to that stage where Dominion representatives were able to join with the representatives of the British Government in making communications to the Sovereign, the Head of the British Empire. We should have exactly the same right as the Ministers who represent the British Government, and we should be in the position of approaching the Sovereign.

Replying to a toast at a banquet given in his honour by the Wellington Chamber of Commerce on August 18, Mr. Massey delivered another interesting speech, and reviewed problems of defence and Imperial preference which are to be considered at the coming Conference.

Dealing with the question of preference, he is reported by *The Dominion* of August 20 thus :—

With a little cultivation by the commercial and industrial communities of the products of the Dominions, they can bring about a greater volume of trade with Great Britain than has ever been done before with her by the European countries. New Zealand is giving

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a lead. At the last revision of the tariff we increased from 200 to 400 the number of articles on which preference is given to British countries. . . . Imperial preference or preference by Customs, it does not matter what you call it, will work wonders.

Referring to the representation of the Dominions at the signing of the Treaty of Versailles (which was also dealt with at length in his speech in Parliament on the Imperial Conference Resolution on July 5), he said :—

The impression gained there that the Dominions were becoming independent of the Empire was quite wrong. That the constitution of the Empire was unwritten had advantages, because it made it more elastic and more easily adaptable to circumstances. But something should be done in the way of record being made that would prevent serious misunderstandings in the future.

The unanimity of opinion in New Zealand on Imperial unity was demonstrated when, at the same banquet, the Leader of the Opposition, Mr. T. M. Wilford, stated :—

There was no difference between the parties in Parliament, Liberal or Reform, on the question of the Empire. There never had been, and never would be while he was Leader of the Opposition.

Later in the evening H.M. British Trade Commissioner had some interesting comments to make on the whole question of British preference, and controverted the general assumption that economic difficulties can be solved by the rapid development of trade with the Dominion, pointing out that extraordinarily little change had taken place in distribution since the war. The proportion of British goods sent to the Empire had grown very slightly, and that of the Continent was the same, while the amount of goods taken by the four great Dominions that give preference is half that taken by Europe.

It is only to be expected that these speeches should have aroused a very great amount of interest throughout the Dominion. The Wellington Chamber of Commerce, at a meeting held on August 7, discussed the question of

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Imperial preference at considerable length, and, while opposing views were ventilated, the following resolution was carried :—

That the Wellington Chamber of Commerce subscribes to the proposals of the 1917-18 Imperial Conference to unite the Empire for the purpose of trade and to give preference to commodities produced within the Empire, in furtherance of which New Zealand has already extended the fullest possible preferential treatment to the Motherland. This Chamber now suggests for the favourable consideration of the Prime Minister a recommendation to place before the Imperial Economic Council a proposal to grant New Zealand preference on all her primary products shipped to the United Kingdom as against those from foreign countries.

Commenting editorially on this resolution on August 9, *The Dominion* writes thus :—

It is distinctly a possibility that unless Britain so far applies the principle of preference to give the Dominions an assured market, the latter may be driven progressively to make alternative agreements with foreign countries. This would mean immediate inroads on the preference already granted to the Mother Country, and perhaps, in some Dominions, its ultimate abolition. . . . It is, in fact, far from certain that direct fiscal preference is the most effective contribution Britain can make to the development of trade within the Empire. There are other ways, however, in which the Mother Country might offer trading advantages to the Dominion. . . . High shipping freights have been a long-standing grievance with our primary producers. In right conditions, and with due precautions, the British Government might take such action as would ensure reduced transport charges. . . .

Another way in which the Mother Country can help the Dominions in trade is by instituting such measures of control as will prevent their products being adulterated, falsely marked, or otherwise tampered with, before they reach the British consumer. It is equally important in this connection that the products of other countries should be honestly marked. It is a matter of common complaint that in Great Britain New Zealand butter is often blended with inferior grades, and then sold as the genuine article. Another abuse is the marketing of foreign meat under New Zealand labels.

The view detailed in the first paragraph of *The Dominion's* editorial does not appear to be widely held in New Zealand, nor has the Chamber of Commerce's proposal received very wide support. The other side of the

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argument is stated by the *Evening Post* of August 8, 1923, in an editorial pointing out that while in 1922 Great Britain took 85 per cent. of New Zealand's exports, the Dominion took only £18,296,173, or 52 per cent., of its imports from Great Britain, with another 22 per cent. from other British contributors. The rest was purchased from foreign countries, and although the United States had very heavy duties as against all foreign countries, New Zealand imported from the States in 1922 goods to the value of £5,379,372, to say nothing of United States interests in certain manufactures in Canada, imported as British goods, while the Dominion exported products to the United States valued at £2,672,776, and *The Post* concludes :—

The Wellington Chamber of Commerce would have been well advised if it had given further thought to, and discussion of, so important a proposal . . . and had gone to the Prime Minister with something of a clear cut and concrete character.

Indeed, it is fully realised here that Great Britain should not, and cannot, take any steps which will mean the taxing of her food, and, as the *Christchurch Press* of August 21 pointed out in commenting on the speech at the Wellington banquet :—

On the question of tariff preference with the Empire, Mr. Massey very wisely abstains from putting this country in the position of one that has demands to make from the Mother Country, and we feel confident that he will not give his support to those who have sometimes seemed ready to affirm that unless Britain grants preference to the Dominions the Dominions will feel free to make whatever terms they can with foreign countries.

The *Otago Daily Times* of August 21 takes a much stronger stand, and points out that in practice the policy of preference to the British Government by the Dominions has meant that :—

A higher protective duty has been imposed than would have been the case in the absence of such a policy. The prime consideration of the matter has been the protection of local industry. The latest illustration of this principle in actual practice has been provided in

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a proposal to suspend the British preferential duty, in the interests of boot manufacturers of the Dominion. . . . The Dominion having adopted protection loses nothing by giving preference to Great Britain, but if Great Britain gives preference to the Dominion . . . she will be forced to adopt a policy of food taxes, and to impose duties on raw materials.

While opinion in general in New Zealand inclines to the view that preference from Great Britain on raw materials is an exceedingly unlikely policy, nevertheless it is felt that much may be done by improving Empire trade communications, by cheapening transport, and by solving the problem of migration within the Empire.

On the question of Imperial defence absolute unanimity has been expressed. Attachment to the Empire, and an honest regard for our own national security alike, makes New Zealanders willing to accept their fair share of the burden of Imperial defence. Further evidence of New Zealand's attitude on this matter was given by the debates on the naval estimates on August 16, when New Zealand's expenditure on naval defence was largely increased. The report of the naval Adviser recommended that New Zealand's contribution to the Singapore base should be £200,000, half of which was voted by Parliament this year. The Labour party was strongly in evidence during the debate, and Mr. J. A. Lee, Labour member for Auckland East, claimed that New Zealand at the present rate was spending five times as much per head on defence as Canada.

Much space has also been devoted to comments on cables summarising an article contributed in the London *Daily News*, cabled to us on August 31, and to extracts from an article in *THE ROUND TABLE** cabled on August 30. Dealing therewith, the leader writer in *The Dominion* of August 31 states the view which, in the main, has been expressed here, thus :—

The article in *THE ROUND TABLE* is largely in tune with progressive overseas sentiment in what it has to say about European alliances,

* *THE ROUND TABLE*, No. 52, September, 1923, p. 682.

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and also with regard to trade and development. Reservation must be entered, however, that the slowing up of manufacturing development in the Dominion is not of necessity essential to a practical co-ordination of Empire Economic policy. The writer of *THE ROUND TABLE* article shows himself less in touch with the trend of thought in the overseas Empire in the suggestion that a possible solution of the problems of the Imperial diplomacy is that each Dominion should develop a special Diplomatic Service. . . . The line of development here suggested is one to which the Dominions are definitely opposed. . . . An elaborate diplomatic organisation is the last thing the Dominions desire to possess. Even if this were not the case, it seems most unlikely that such an organisation would serve any useful purpose.

In its issue of August 29 the *New Zealand Herald*, while indicating that in its opinion the body of feeling which is said to exist in certain Dominions against the impalpable and undefined nature of the bond which has existed up to the present between Britain and other partners of the Empire "is not so deeply felt nor so widely spread as its protagonists would have us believe," stresses the fact that opinion in New Zealand and Australia is in entire accord on this matter. Indeed, the writer claims that:—

Neither country exhibits the impatience with present conditions shown by a section in Canada, and in some degree echoed by South Africa. The two self-governing Dominions of the Pacific may therefore counterbalance the somewhat aggressive nationalism which it is possible will be shown by the other two.

In an interesting editorial on Empire problems, the *New Zealand Times* of August 30 gives a survey of the various Empire missions from this country to the Homeland, and points out that the first carried a petition from New Zealand to the British Parliament in 1865 asking that the Colony might relieve the Mother Country of the burden of the expensive campaign against the Maori, which had proved utterly unsuccessful. From then down to the present time there have been many missions, and Mr. Massey, who left Wellington on August 28 for the Imperial Conference, has gone on one of the most important of all of

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them, for New Zealand feels that the Conference is pregnant with enormous possibilities for weal or woe for the Empire as a whole. In farewelling him, the House of Representatives paid him many graceful and warm tributes, expressions of the deep and abiding loyalty to the Empire felt by the great majority of the members of the House and by the people of New Zealand. He left New Zealand with the good wishes of every citizen of New Zealand. The Dominion is proud of the fact that not only does he represent New Zealand, but, as pointed out by the *Auckland Star* in its editorial columns of Monday, August 27, he is "the only survivor of the war Premiers of the Empire, an interesting link between the crisis of the past and the problems of the present and the future."

During the past few years Mr. Massey has faced many pressing and serious problems, and has triumphed over most of them by sheer force of character, and in sending him as its representative New Zealand feels that nothing petty will be done in its name, nothing mean or mercenary, and that his voice will ever stand for what New Zealand believes to be vital, the unification of the Empire, and for unswerving devotion to the Mother Country.

New Zealand. September 25, 1923.

SUMMARY OF PROCEEDINGS OF THE IMPERIAL CONFERENCE AND THE IMPERIAL ECONOMIC CONFERENCE.

THE IMPERIAL CONFERENCE

The following is a slightly abbreviated form of the official summary :—

The proceedings of the Conference opened at 10, Downing Street, on October 1, 1923, and were continued until November 8. During that period sixteen plenary meetings took place.

In addition to the meetings of the full Conference there were eleven meetings of committees, and technical discussions on Defence Questions at the Admiralty and Air Ministry.

In opening the proceedings on October 1, Mr. Stanley Baldwin, as chairman, extended a welcome to the representatives of the Dominions and India, and referred especially to the enlargement which had taken place in the circle of the Imperial Conference by the constitution in 1922 of the Irish Free State.

Mr. Baldwin then made a general statement on the Imperial and International situation, in which he reviewed the chief events which had taken place since the Conference of 1921, and outlined briefly the agenda of the Conference and the main problems which would come before it. Speeches were made in reply.

The Prime Minister of the Commonwealth of Australia was not present at the opening meeting : he was unable to reach London until October 5.

The first official act of the Conference, in accordance with the practice on previous occasions, was to send a message of greeting to Their Majesties the King and Queen.

On October 31 the Conference passed a resolution expressing its deep regret at Mr. Bonar Law's death.

PUBLICITY

The Conference gave special attention to the question of publicity for its proceedings. There was general agreement that at meetings of this nature, where questions of high policy and of the greatest consequence to all parts of the British Commonwealth are surveyed and dealt with, it was of the first importance that the representatives present should feel able to speak among themselves with the utmost freedom, and in a spirit of complete

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confidence. Hence it was considered essential that nothing should be published without the approval of the Conference as a whole, and under its directions.

At the same time it was felt that the proceedings of the Conference would cause wide interest among the peoples of the countries represented, and consequently that, as opportunity offered, information regarding its deliberations should be made public.

It was decided to place the general arrangements as to publicity in charge of a British Minister, and, at the unanimous wish of the Conference, the Chancellor of the Duchy of Lancaster, Mr. J. C. Davidson, C.H., C.B., M.P., was asked to be present at the meetings and to undertake the necessary work.

This procedure, though of an experimental character, turned out to be of much value, and at the conclusion of the meetings the Conference expressed to Mr. Davidson its great indebtedness for his valuable help.

A discussion also took place, at the instance of the Prime Minister of Canada, as to the desire of the Parliaments of the various parts of the Empire to be afforded the fullest information possible on all matters concerning which negotiations were going on, or discussions taking place, between the various Governments. It was felt that as many as possible of the communications passing ought to be made available for the use of the Parliaments, and a general understanding was reached as to the principles which should govern the publication of correspondence between the Governments.

COLONIES, PROTECTORATES AND MANDATED TERRITORIES

The Secretary of State for the Colonies gave to the Conference on October 3 a comprehensive review, subsequently published, of the situation in the Colonies, Protectorates, and Mandated Territories.

A general discussion followed on various aspects of policy in regard to the development of the Colonial Empire and the Mandated Territories, and great stress was laid by the representatives of the Dominions and India on the economic importance of these parts of the world and, in particular, on the value to the Empire as a whole of the great tropical territories in East and West Africa and in Eastern Asia.

One question touched on was the recent arrangement concluded with the Belgian Government for the rectification of the Ruanda boundary, and it was made clear that this rectification still left available a strip of the British mandated territory of Tanganyika west of Lake Victoria, which could be utilised for the construction of a line north and south.

The Prime Minister of Newfoundland expressed his interest in the researches about to be undertaken in the Antarctic by the late Captain Scott's ship *Discovery*. It had already been arranged that any information obtained from these researches should be made available to the Government

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of the Union of South Africa, and the Duke of Devonshire undertook that the information should be supplied also to the Newfoundland Government.

It should be added that the further developments in the Middle East, and particularly in Palestine, which occurred during the sittings of the Conference were placed before it.

The Conference took note of these developments.

FOREIGN RELATIONS

The discussions on foreign relations were commenced on October 5 by the Secretary of State for Foreign Affairs, who gave to the Conference a review of the general situation in every part of the world, and the most frank exposition, first, of the main problems which have confronted the Empire during the last two years, and secondly, of those which seem most likely to arise in the near future.

The greater part of what Lord Curzon said was necessarily of a confidential character, since it was his object to supplement the written and telegraphic communications of the past two years by giving orally to the representatives of the Dominions and India the inner history of the period, but it was thought advisable that extracts from those parts of his speech which related to subjects of immediate interest and importance, viz., the situation in connection with the Reparations problem and the Turkish Treaty, should be published forthwith.

This was a departure from the practice at previous Imperial Conferences, when statements made by the Foreign Secretary have been regarded as confidential throughout.

Lord Curzon's review was followed by a general discussion on foreign relations, in which Lord Robert Cecil as British representative on the Council of the League of Nations, all the Dominion Prime Ministers present, the Vice-President of the Executive Council of the Irish Free State, and the three members of the Indian delegation took part.

Frequent and detailed examination was given not only to the main features of the international situation, but to the different aspects of that situation as they developed from day to day. Nor did the Imperial Conference terminate its sittings until each subject had been carefully explored and a common understanding reached upon the main heads of foreign policy.

It was while the Conference was sitting that the President of the United States renewed the offer of the United States Government to take part in an international conference or enquiry to investigate the European Reparation problem, and to report upon the capacity of Germany to make the payments to which she is pledged. The Conference cordially welcomed, and decided to take immediate advantage of, this overture; and communications were at once entered into with the Allied Powers to obtain their co-operation.

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The Conference, after careful consideration of the policy which has been pursued, was of the opinion that the European situation could only be lifted on to the plane of a possible settlement by the co-operation of the United States of America, and that if the scheme of common enquiry to be followed by common action were to break down, the results would be inimical both to the peace and to the economic recovery of the world.

It felt that in such an event it would be desirable for the British Government to consider very carefully the alternative of summoning a conference itself in order to examine the financial and the economic problem in its widest aspect.

The Conference regarded any policy which would result in breaking up the unity of the German State as inconsistent with the Treaty obligations entered into both by Germany and the Powers, and as incompatible with the future discharge by Germany of her necessary obligations. The strongest representations on this subject were accordingly made to the Allied Governments.

The Conference considered the situation in the Near and Middle East, and recorded its satisfaction at the conclusion of peace between the Allies and Turkey. An end had thus been brought to a period of acute political tension, of military anxiety and financial strain in the eastern parts of Europe; and more particularly had great relief been given to the sentiments of the Moslem subjects of the British throne in all parts of the world.

Another of the subjects that engaged the attention of the Conference was that of Egypt. The Conference was glad to recognise the great advance that has been made during the last two years towards a pacific settlement of this complex problem, which will safeguard important communications between several parts of the Empire.

The Conference, so much of whose time had been occupied two years ago with the question of the renewal or termination of the Anglo-Japanese Alliance and with the future regulation of the Pacific, noted with satisfaction the results of the Washington Conference, which had added immensely to the security of the world without disturbing the intimate relations that have for so long existed between the Empire and its former Ally.

It recognised with satisfaction the progressive fulfilment of the obligations incurred under the Washington Treaties; it registered the confident belief that the future relations between the Governments and peoples of the British Empire and Japan will be not less sincere and cordial than when the British and Japanese Governments were bound by written conventions; and it recorded its profound sympathy with the Japanese Government and people in the terrible catastrophe which has recently befallen them.

During the session of the Conference, the question of the regulation of the liquor traffic off the American coasts and of the measures to be taken to avoid a serious conflict either of public opinion or of official action was

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seriously debated. The Conference arrived at the conclusion that, while affirming and safeguarding as a cardinal feature of British policy the principle of the three-mile limit, it was yet both desirable and practicable to meet the American request for an extension of the right of search beyond this limit for the above purpose, and negotiations were at once opened with the United States Government for the conclusion of an experimental agreement with this object in view.

Finally, the Conference, after listening to a detailed exposition of the work of the League of Nations during the past two years, and more particularly of the recent sitting of the Council and the Assembly at Geneva, placed on record its emphatic approval of the action that had been taken by, and the support that had been given to, the representatives of the British Empire on the latter occasion. There was full accord that the League should be given the unabated support of all the British members of the League as a valuable instrument of international peace and as the sole available organ for the harmonious regulation of many international affairs.

This Conference is a conference of representatives of the several Governments of the Empire; its views and conclusions on foreign policy as recorded above are necessarily subject to the action of the Governments and Parliaments of the various portions of the Empire, and it trusts that the results of its deliberations will meet with their approval.

NEGOTIATION, SIGNATURE AND RATIFICATION OF TREATIES

The principles governing the relations of the various parts of the Empire in connection with the negotiation, etc., of treaties, seemed to the Conference to be of the greatest importance. Accordingly it was arranged that the subject should be fully examined by a Committee, of which the Secretary of State for Foreign Affairs was chairman. The Secretary of State for the Colonies, the Prime Ministers of Canada, the Commonwealth of Australia, New Zealand, the Union of South Africa, and Newfoundland, the Minister of External Affairs of the Irish Free State, and the Secretary of State for India as Head of the Indian Delegation, served on this Committee. With the assistance of the Legal Adviser to the Foreign Office, Sir C. J. B. Hurst, K.C.B., K.C., the following resolution was drawn up and agreed to:—

“The Conference recommends for the acceptance of the Governments of the Empire represented that the following procedure should be observed in the negotiation, signature and ratification of international agreements.

“The word ‘treaty’ is used in the sense of an agreement which, in accordance with the normal practice of diplomacy, would take the form of a treaty between heads of states signed by plenipotentiaries provided with full powers issued by the heads of the states and authorising the holders to conclude a treaty.

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I. NEGOTIATION

"(a) It is desirable that no treaty should be negotiated by any of the Governments of the Empire without due consideration of its possible effect on other parts of the Empire, or, if circumstances so demand, on the Empire as a whole.

"(b) Before negotiations are opened with the intention of concluding a treaty, steps should be taken to ensure that any of the other Governments of the Empire likely to be interested are informed, so that, if any such Government considers that its interests would be affected, it may have an opportunity of expressing its views or, when its interests are intimately involved, of participating in the negotiations.

"(c) In all cases where more than one of the Governments of the Empire participate in the negotiations, there should be the fullest possible exchange of views between those Governments before and during the negotiations. In the case of treaties negotiated at International Conferences where there is a British Empire Delegation on which, in accordance with the now established practice, the Dominions and India are separately represented, such representation should also be utilised to attain this object.

"(d) Steps should be taken to ensure that those Governments of the Empire whose representatives are not participating in the negotiations should during their progress be kept informed in regard to any points arising in which they may be interested.

2. SIGNATURE

"(a) Bilateral treaties imposing obligations on one part of the Empire only should be signed by a representative of the Government of that part. The full power issued to such representative should indicate the part of the Empire in respect of which the obligations are to be undertaken, and the preamble and text of the treaty should be so worded as to make its scope clear.

"(b) Where a bilateral treaty imposes obligations on more than one part of the Empire, the treaty should be signed by one or more plenipotentiaries on behalf of all the Governments concerned.

"(c) As regards treaties negotiated at International Conferences, the existing practice of signature by plenipotentiaries on behalf of all the Governments of the Empire represented at the Conference should be continued, and the full powers should be in the form employed at Paris and Washington.

3. RATIFICATION

"The existing practice in connection with the ratification of treaties should be maintained.

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" Apart from treaties made between heads of states, it is not unusual for agreements to be made between Governments. Such agreements, which are usually of a technical or administrative character, are made in the names of the signatory Governments and signed by representatives of those Governments, who do not act under full powers issued by the heads of the states ; they are not ratified by the heads of the states, though in some cases some form of acceptance or confirmation by the Governments concerned is employed. As regards agreements of this nature the existing practice should be continued, but before entering on negotiations the Governments of the Empire should consider whether the interests of any other part of the Empire may be affected, and, if so, steps should be taken to ensure that the Government of such part is informed of the proposed negotiations, in order that it may have an opportunity of expressing its views."

The resolution was submitted to the full Conference, and unanimously approved. It was thought, however, that it would be of assistance to add a short explanatory statement in connection with part I (3), setting out the existing procedure in relation to the ratification of treaties. This procedure is as follows :—

(a) The ratification of treaties imposing obligations on one part of the Empire is effected at the instance of the Government of that part ;

(b) The ratification of treaties imposing obligations on more than one part of the Empire is effected after consultation between the Governments of those parts of the Empire concerned. It is for each Government to decide whether Parliamentary approval or legislation is required before desire for or concurrence in ratification is intimated by that Government.

THE UNITED STATES AND "C" MANDATES

Certain general questions concerning the territories in South-West Africa and the Southern Pacific administered under "C" mandates had been raised by the Government of the United States of America, and the opportunity of the Conference was taken to examine these questions.

CONDOMINIUM IN THE NEW HEBRIDES

The developments in the New Hebrides since the Conference of 1921 were examined, and the present situation and possibilities of action further discussed by representatives of the British Government in consultation with the Prime Ministers of the Commonwealth of Australia and New Zealand.

DEFENCE

The Conference gave special consideration to the question of Defence,

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and the manner in which co-operation and mutual assistance could best be effected after taking into account the political and geographical conditions of the various parts of the Empire.

The Lord President of the Council, as Chairman of the Committee of Imperial Defence, opened this part of the work of the Conference by a statement outlining the main problems of Defence as they exist to-day. He was followed by the First Lord of the Admiralty, the Secretary of State for War, and the Secretary of State for Air, each of whom explained to the Conference the aspects of defence which concerned his special responsibilities.

In addition to these statements there was a full and frank interchange of views in which the standpoints of the various representatives and the circumstances of their countries were made clear. There were also discussions at the Admiralty and Air Ministry at which Naval and Air Defence were dealt with in greater detail. The points involved were explained by the Chiefs of the Naval and Air Staffs respectively, and were further examined.

In connection with Naval Defence, one matter of immediate interest came before the Conference, namely, the projected Empire cruise of a squadron of modern warships. The First Lord of the Admiralty explained that the project was that two capital ships, the *Hood* and the *Repulse*, together with a small squadron of modern light cruisers, should visit South Africa, Singapore, Australia and New Zealand, and return by way of British Columbia, the Panama Canal and Eastern Canada. The light cruisers would accompany the battle-cruisers as far as British Columbia, but would return to England by way of the west coast of South America and Cape Horn. The Dominion Prime Ministers expressed their appreciation of this proposal, and assured the Conference that the ships would be most heartily welcomed in their countries.

After the whole field of Defence had been surveyed, the Conference decided that it would be advisable to record in the following resolutions its conclusions on the chief matters which had been discussed :—

1. The Conference affirms that it is necessary to provide for the adequate defence of the territories and trade of the several countries composing the British Empire.

2. In this connection the Conference expressly recognises that it is for the Parliaments of the several parts of the Empire, upon the recommendations of their respective Governments, to decide the nature and extent of any action which should be taken by them.

3. Subject to this provision the Conference suggests the following as guiding principles :—

- (a) The primary responsibility of each portion of the Empire represented at the Conference for its own local defence.

- (b) Adequate provision for safeguarding the maritime communica-

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tions of the several parts of the Empire and the routes and waterways along and through which their armed forces and trade pass.

(c) The provision of naval bases and facilities for repair and fuel so as to ensure the mobility of the fleets.

(d) The desirability of the maintenance of a minimum standard of naval strength, namely, equality with the naval strength of any foreign power in accordance with the provisions of the Washington Treaty on Limitation of Armament as approved by Great Britain, all the self-governing Dominions and India.

(e) The desirability of the development of the Air Forces in the several countries of the Empire upon such lines as will make it possible, by means of the adoption, as far as practicable, of a common system of organisation and training and the use of uniform manuals, patterns of arms, equipment and stores (with the exception of the type of aircraft), for each part of the Empire as it may determine to co-operate with other parts with the least possible delay and the greatest efficiency.

4. In the application of these principles to the several parts of the Empire concerned the Conference takes note of :—

(a) The deep interest of the Commonwealth of Australia, the Dominion of New Zealand, and India, in the provision of a naval base at Singapore, as essential for ensuring the mobility necessary to provide for the security of the territories and trade of the Empire in Eastern waters.

(b) The necessity for the maintenance of safe passage along the great route to the East through the Mediterranean and the Red Sea.

(c) The necessity for the maintenance by Great Britain of a Home Defence Air Force of sufficient strength to give adequate protection against air attack by the strongest air force within striking distance of her shores.

5. The Conference, while deeply concerned for the paramount importance of providing for the safety and integrity of all parts of the Empire, earnestly desires, so far as is consistent with this consideration, the further limitation of armaments, and trusts that no opportunity may be lost to promote this object.

STATUS OF HIGH COMMISSIONERS

Certain questions were discussed relating to the status of the High Commissioners in Great Britain, particularly in connection with precedence and with exemption from taxation, Customs duties, etc.

The representatives of the British Government undertook to examine the points raised, while explaining that any alteration of the existing rules of precedence would require the approval of His Majesty the King.

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POSITION OF BRITISH INDIANS IN THE EMPIRE

The position of British Indians in other parts of the Empire was reviewed by the Conference in the light of the developments which have taken place since the resolution which formed part of the proceedings at the 1921 Conference. The subject was opened by a general statement from the Secretary of State for India as head of the Indian Delegation. He explained that the intensity of feeling aroused in India by this question was due to the opinion widely held there (which, however, he did not himself share) that the disabilities of Indians were based on distinction of colour, and were badges of racial inferiority. This statement was followed by a full presentation of the case on behalf of India by Sir Tej Bahadur Sapru and His Highness the Maharajah of Alwar.

It was found possible to publish these speeches, and those made in the course of the discussions by the Prime Minister of Great Britain, the Secretary of State for the Colonies, the Dominion Prime Ministers and the Minister of External Affairs of the Irish Free State, shortly after the speeches had been delivered. In this respect the procedure differed from that at the Conference of 1921, when only the resolution adopted was made public. It is unnecessary in the present report to do more than refer to the main proposal made on behalf of the Indian Delegation, and the views expressed and conclusions reached with regard to it. The Indian proposal was to the effect that the Dominion Governments concerned, and the British Government for the Colonies and Protectorates, should agree to the appointment of Committees to confer with a Committee appointed by the Indian Government as to the best and quickest means of giving effect to the resolution of the 1921 Conference.

In the case of the Union of South Africa, which was not a party to the 1921 resolution, Sir Tej Bahadur Sapru expressed the hope that the Union Government would agree to the Government of India sending an agent to South Africa who would protect Indian nationals there, who would serve as an intermediary between them and the Union Government, and who would place the Indian Government in full possession of the facts regarding Indian nationals in South Africa.

The Conference expressed its high appreciation of the able and moderate manner in which Lord Peel and his colleagues had presented the Indian case. The opinions expressed, and the conclusions reached with regard to the above suggestions were, in brief, as follows :—

The Prime Minister of Canada observed that, so far as he knew, Indians now domiciled in Canada did not suffer any legal or political disability in eight out of the nine provinces of Canada ; as regards the ninth province—British Columbia—he was not aware of any legal disability, and even the political disability that existed in the matter of the exercise of the franchise

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does not apply to all Indians because the federal law relating to the franchise lays it down that any Indian who served with His Majesty's military, naval or air forces is entitled to the franchise. He explained the present difficulties in conceding the franchise to Indians generally in British Columbia, which are due, not to distinction of colour, but to economic and complex political considerations, and he reiterated what he had already said to Mr. Sastri on the occasion of the latter's visit to Canada in 1922, namely, that the question whether natives of India resident in Canada should be granted a Dominion parliamentary franchise on terms and conditions identical with those which govern the exercise of that right by Canadian citizens generally was necessarily one which Parliament alone could determine, and that the matter would be submitted to Parliament for consideration when the franchise law comes up for revision.

Mr. Mackenzie King added that he was somewhat doubtful whether the visit of a Committee appointed by the Government of India would make it easier to deal with this problem in Canada, but that, should it be desired to send a Committee, the Canadian Government would readily appoint a Committee to confer with the Committee from India.

The Prime Minister of the Commonwealth of Australia explained the principles underlying the present attitude of Australia on this question. He stated that the representatives of every shade of political thought in Australia had shown sympathy with the claim that lawfully domiciled Indians should enjoy full citizen rights, and that he believed that public opinion was ready to welcome, so far as concerned the position of such Indians, any measure conceived in the interests of the Empire as a whole.

The Commonwealth had the right to control the admission to its territories of new citizens, and its immigration policy was founded on economic considerations. He felt that, in view of the position which existed in Australia, there was no necessity for a Committee, but assured the Indian representatives that he would consult his colleagues on his return to Australia as to what action should be taken in connection with the resolution of the 1921 Conference.

The Prime Minister of New Zealand said that the New Zealand Government would welcome the visit of a Committee from India such as had been suggested, should this be desired; New Zealand practically gave the natives of India now resident in the Dominion the same privileges as were enjoyed by people of the Anglo-Saxon race who were settled there.

The Prime Minister of the Union of South Africa intimated that so far as South Africa was concerned it was not a question of colour, but that a different principle was involved. He stated that the attitude of thinking men in South Africa was not that the Indian was inferior because of his colour or on any other ground—he might be their superior—but the question had to be considered from the point of view of economic competition. In

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other words the white community in South Africa felt that the whole question of the continuance of Western civilisation in South Africa was involved. General Smuts could hold out no hope of any further extension of the political rights of Indians in South Africa and, so far as the Union was concerned, he could not accept Sir Tej Bahadur Sapru's proposal.

The Secretary of State for the Colonies, on behalf of the British Government, cordially accepted the proposal of Sir Tej Bahadur Sapru that there should be full consultation and discussion between the Secretary of State for the Colonies and a Committee appointed by the Government of India upon all questions affecting British Indians domiciled in British Colonies, Protectorates and Mandated Territories. At the same time the Duke of Devonshire was careful to explain that, before decisions were taken as a result of discussions with the Committee, consultations with the local Colonial Governments concerned, and in some cases local enquiry, would be necessary.

Further, while welcoming the proposal, the Duke reminded the Conference that the British Government had recently come to certain decisions as to Kenya, which represented in their considered view the very best that could be done in all the circumstances. While he saw no prospect of these decisions being modified, he would give careful attention to such representations as the Committee appointed by the Government of India might desire to make to him.

Sir Tej Bahadur Sapru, while taking note of the above statement of the Duke of Devonshire, desired to make plain that the recent Kenya decision could not be accepted as final by the people of India.

The Secretary of State for India, summarising as Head of the Indian Delegation the results attained, pointed out that the discussion had demonstrated that it was a mistake to suppose that Indians throughout the Empire were given an inferior status or that such disabilities as might be felt to exist were based on race or colour.

CONTRIBUTION OF INDIA TO THE EXPENSES OF THE LEAGUE OF NATIONS

The question of the contribution of India to the expenses of the League of Nations was raised by the representatives of India at the Conference, and was referred to a Committee under the chairmanship of the Secretary of State for the Colonies. It was there explained by Sir Tej Bahadur Sapru that India was assessed far higher than any other part of the Empire except Great Britain. In 1922 Lord Balfour had stated publicly at a meeting of the Assembly that the various parts of the Empire represented on the League would settle among themselves the exact amount which each would find. India desired to ascertain whether, in view of this statement, some relief could be afforded by the other parts of the Empire.

The members of the Committee representing Great Britain and the

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Dominions, while expressing sympathy with the difficulties of India, explained that their Governments were not able to agree to any variation from the standard of contributions already laid down by the Assembly for 1923 and 1924.

In the circumstances it was, of course, impossible for the Committee as a whole to make any recommendation. Sir Tej Bahadur Sapru intimated that India must necessarily reserve the right to raise the question of its contribution at the League Assembly of 1924, and the Secretary of State for India, as Head of the Indian Delegation, affirmed this attitude when the matter came up before the Conference.

The Conference took note of the position.

NATIONALITY QUESTIONS

Certain questions connected with the law of British nationality were brought before the Conference at the instance of the Commonwealth Government, and were referred to a Committee under the Chairmanship of the Secretary of State for Home Affairs. These questions were shortly as follows :—

1. The grant of naturalisation to persons resident in Mandated Territories.

Apart from certain special cases, there is under the existing law no power to grant an Imperial certificate of naturalisation to a person who is not qualified by residence in His Majesty's Dominions. The Commonwealth Government proposed an amendment of the law so as to provide for the grant of certificates on the basis of residence in "B" or "C" Mandated Territories—*i.e.*, the territories administered under mandates in Africa and the Southern Pacific. To this proposal (which accorded with certain recent decisions of the Council of the League of Nations) the British Government added the suggestion that similar provision should be made, generally speaking, in the case of persons resident in British protectorates.

The Committee decided to recommend that the power of granting certificates of Imperial naturalisation be extended so as to cover persons resident in "B" and "C" Mandated Territories and also in Protectorates.

2. The appointment of Committees of Enquiry in connection with the revocation of certificates.

A self-governing Dominion which has adopted Part II of the British Nationality and Status of Aliens Act, 1914, as amended, has power in accordance with the provisions of Section 7 of that Act to revoke certificates of naturalisation. Provision is made in the Act for investigation of the circumstances, in given instances, by a committee of enquiry, presided over by a person who holds or has held high judicial office. The Commonwealth statute adopting Part II of the Imperial Act laid down a definition of high judicial office which it is now anticipated may cause difficulty in some cases,

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as persons of the prescribed standing may not be available. The Commonwealth Government accordingly contemplated the adoption of a somewhat wider definition.

The Committee came to the following conclusion: "Having heard the reasons for which the Commonwealth Government is disposed to provide that the presidency over such Committees of Enquiry may, where convenient, be taken by persons holding judicial office of lower standing than that prescribed at present by the Commonwealth statute, the Committee see no objection to a question of machinery of this nature being settled according to local circumstances and needs, if after examination of the experience of the Committee of Enquiry, and of the practice which has grown up, in the United Kingdom, the Commonwealth Government desires to make an alteration."

3. The nationality of married women.

The Commonwealth Government proposed an amendment of the Imperial nationality law as to the nationality of British-born women married to aliens. Under the present law the national status of the wife follows that of her husband; a British woman becomes an alien on her marriage to an alien, and there is no power to naturalise her during the continuance of the marriage. The Commonwealth Government have found that the wife's loss of British nationality tends to give rise to hardship in cases where the wife is separated from, or has been deserted by, her husband, and they accordingly suggested an alteration of the law to cover such cases.

This proposal raises wider questions of principle and policy in regard to the national status of married women, which have attracted considerable attention in recent years, both within the British Empire and in certain foreign countries. A number of arguments for and against maintaining the existing rule that "The wife of a British subject shall be deemed to be a British subject and the wife of an alien shall be deemed to be an alien" will be found in the two draft reports* prepared by members of a Select Committee of both Houses of the British Parliament who examined this question earlier in the year in connection with proposals which had been made for a fundamental alteration in the law.

The discussion of this question by the Committee of the Conference did not disclose any opinion in favour of altering the existing law as to the nationality of husband and wife; and the following resolution was passed:—

"The Committee are of opinion that the principle of the existing law that the nationality of a married woman depends on that of her husband should be maintained. They nevertheless recommend that power should be taken to re-admit a woman to British nationality in cases where the married state, though subsisting in law, has to all practical purposes come to an end."

* Published in House of Commons paper 115 of 1923.

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The conclusions of the Committee were reported to the Conference and received approval.

VALIDITY OF MARRIAGES BETWEEN BRITISH SUBJECTS AND FOREIGNERS

Another matter suggested by the Commonwealth Government for consideration by the Conference concerned the law relating to the validity of marriages between British subjects and foreigners. The main difficulty appears to be that such a marriage, although validly contracted in British law, may nevertheless in certain circumstances be invalid in the law of the foreign country concerned.

The Committee under the chairmanship of the Home Secretary, to whom this question was referred, came to the conclusion that having examined the action which is being taken by the Foreign Office and the Home Office to carry into effect the Marriage with Foreigners Act, 1906, they had no recommendation to make. The Committee's resolution to this effect was laid before the Conference, and accepted.

PROPOSED EXTENSION OF THE POWERS OF THE IMPERIAL WAR GRAVES COMMISSION

During the course of the Conference a proposal was received from the Imperial War Graves Commission that the powers conferred upon the Commission by the Charter of May 10, 1917, and the Supplementary Charter of August 10, 1921, should be extended so as to enable the Commission to comply with a request based on public expediency and economy that they should undertake the public duty of the future maintenance of such cemeteries and graves as the Old Military Cemetery at Tel-el-Kebir, the Crimean Cemetery at Scutari, which is in the same plot of ground as the Commission's War Cemetery, and the older cemeteries in Turkey which could more conveniently be maintained in conjunction with the graves of those who fell in the Great War.

This proposal was submitted to the representatives of the Governments concerned, all of whom have indicated their acceptance of the proposed amendment of the charters by the addition of a clause to the following effect :—

The Commission, if in their absolute discretion they deem it desirable, may, at the request of any Government of any part of our Empire responsible for or desirous of maintaining any place of burial or memorial, whether or not of, or relating to, such officers or men as may fall within the descriptions contained in our original charter of May 10, 1917, or our supplemental charter of August 10, 1921, or of or relating to any other officers, men or civilians whatever, exercise with regard to such place of burial or memorial aforesaid, and the graves in such place of burial, all or any of their powers as if the said original and supplemental charters were applicable to the said

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burial place or memorial and graves, provided that the cost of or incidental to any exercise of the additional powers given by this our charter be provided by the Government making the aforesaid request.

Accordingly the necessary steps will be taken forthwith to incorporate a clause on the above lines in a further supplementary charter for submission to His Majesty the King.

ADDRESS TO HIS MAJESTY THE KING, EMPEROR OF INDIA

The following Address to His Majesty was moved by the Prime Minister of Great Britain at the concluding meeting of the Conference and was unanimously adopted. Mr. Baldwin, as Chairman of the Conference, was asked to submit the Address to His Majesty.

"To His Majesty the King, Emperor of India.

"We, the Prime Ministers and representatives of the British Empire, who have been assembled to take counsel together during the past six weeks, desire, before our meetings come to an end, to give expression once again to our affection and respect for Your Majesty and Her Majesty the Queen, and to reaffirm our fidelity to the Crown.

"We have had to face, in the course of the deliberations at both our Conferences, many and serious problems which confront the sister nations and the peoples of the British Commonwealth. We shall count ourselves fortunate if we have been able to contribute towards the solution of these problems, even to a small degree.

"Yet as we look back on the years which have passed since the Great War, we are proud to feel that, amid the economic and political convulsions which have shaken the world, the British Empire stands firm, and that its widely scattered peoples remain one in their belief in its ideals and their faith in its destiny.

"To the task of promoting that unity, of which the Crown is the emblem, Your Majesties have long devoted your strength and labours. We pray that the consciousness of the devotion of the peoples and the members of your Empire may encourage and uphold you in that task for many years to come."

The Conference, at its concluding meeting, placed on record resolutions expressing the appreciation of the British Prime Minister and Government of the readiness of other members of the Conference to come so far to take part in it, and the thanks of the representatives of the Dominions and India to the British Prime Minister and Government.

THE IMPERIAL ECONOMIC CONFERENCE

We do not propose to set out the official summary of the Economic Conference. Detailed accounts of the greater part of its proceedings have already appeared in the Press. The summary, though of considerable length, only contains the

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actual conclusions. The full report, which is to be issued in the form of a Blue book, has not yet been published.

The conclusions of the Conference, which are subject to the approval of their respective Parliaments, fall under eight heads :—

I. OVERSEA SETTLEMENT WITHIN THE EMPIRE

The resolutions are not given in the official summary. The report of the Committee, whose recommendations were adopted, will be published later.

II. CO-OPERATION IN FINANCIAL ASSISTANCE TO IMPERIAL DEVELOPMENT

The British Government undertook on certain conditions to pay part of the interest on the loan capital employed on public utility undertakings approved by the Dominion or central Government concerned, provided such Government certifies the work to be in anticipation of normal expenditure.

III. IMPERIAL PREFERENCE

1. *Tariff Preference.*—The resolution of the Imperial War Conference of 1917 was reaffirmed. It reads as follows :—

The time has arrived when all possible encouragement should be given to the development of Imperial resources, and especially to making the Empire independent of other countries in respect of food supplies, raw materials and essential industries. With these objects in view, this Conference expresses itself in favour of :—

1. The principle that each part of the Empire, having due regard to the interests of our Allies, shall give specially favourable treatment and facilities to the produce and manufactures of other parts of the Empire;
2. Arrangements by which intending emigrants from the United Kingdom may be induced to settle in countries under the British flag.

The British Government will ask Parliament to agree to :—

(i) an increase of the preference already given to Empire dried figs, raisins, plums, currants, wines and tobacco ; *

(ii) a preference to Empire dried and preserved fruits other than those mentioned in the last paragraph, and also to raw apples, canned salmon, lobster, crayfish and crabs, honey and lime, lemon and other fruit juice, by imposing a duty on these articles when they come from foreign countries ;

(iii) the stabilisation of the existing preference on sugar.

The actual amount of the preference is in each case set out in the summary, and has already appeared in the Press.

2. *Public Contracts.*—The principle was reaffirmed that in all Government contracts effective preference should be given to goods made and materials produced in the Empire, except where precluded by existing undertakings

* There was at first a question of stabilising instead of increasing the preference, but the Dominions concerned preferred an increase.

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or special circumstances; that the materials used should be of Empire production, and that State, provincial and local Governments should be encouraged to take note of these resolutions.

IV. FURTHER STEPS FOR THE IMPROVEMENT OF MUTUAL TRADE

These fall under eleven heads :—

(A) *Imperial Co-operation in respect of Commercial Intelligence.*—Resolutions were passed with the object of enabling the whole Empire to use the commercial, diplomatic and consular services, and of admitting commercial travellers' samples and trade catalogues free of duty.

(B) *Statistics.*—A scheme for making British trade statistics of use to the Empire generally is to be prepared.

(C) *Imperial Communications :—*

(i) *Shipping.*—The resolutions passed favoured keeping the Imperial Shipping Committee alive; the adoption by the whole Empire of the Brussels rules relating to bills of lading.

(ii) *Air Navigation.*—The benefit of British experience in air navigation should be given to the Dominions and India, and arrangements made for the exchange of information.

(iii) *Wireless and Cables.*—The establishment as soon as possible of an efficient Imperial wireless system, and the support of the State-owned Atlantic cable route.

(D) *Reciprocal Enforcement of Judgments, including Arbitration Awards.*

(E) *Imperial Co-operation with reference to Patent Designs and Trade Marks.*

(F) *Economic Defence.*—The established practice of our various Governments of not discriminating between the flags of shipping using their ports was reaffirmed, but if any foreign country should try to discriminate against the British flag in any case, the Governments of the Empire will consult together as to what should be done.

(G) *Customs Formalities.*—The adoption of a common form of invoice and certificate throughout the Empire and the favourable consideration of the conclusions of the League of Nations' Conference on Customs Formalities were recommended.

(H) *Empire Currency and Exchange.*—The Conference considers that the difficulties of inter-Imperial exchange will disappear when the currencies of Great Britain and the Dominions are again made convertible into gold. They are against a scheme of Empire currency bills, but in case of inter-Imperial exchange difficulties they are of the following opinion :—

(a) The position could be ameliorated if the note-issuing authorities were to accumulate sterling assets and to undertake to exchange their local currencies for sterling and *vice versa*.

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(b) This measure might be further developed and assisted by the creation of central banks and by mutual co-operation as recommended by the Genoa Conference.

(c) In some cases the bank charges for buying and selling sterling appear to be unduly high and should be capable of reduction.

(J) *Co-operation for Technical Research and Information.*—A scheme for the future of the Imperial Institute and the Imperial Mineral Resources Bureau was recommended, subject to modifications designed among other things to restrict the reconstituted Imperial Institute work of investigation to preliminary investigation of raw material. The report containing the scheme has not yet been made public.

(K) *Immunity of State Enterprises.*—Resolutions were passed with the object of making Governments that engage in trade anywhere liable to taxation there like individuals.

V. IMPERIAL POLICY WITH REGARD TO THE IMPORT OF LIVE STOCK

Steps are to be taken to promote inter-Imperial trade in pedigree stock throughout the Empire on reciprocal lines, subject to precautions to avoid disease. A Conference is to be held between the British and Canadian Governments to settle the difficulty about the administrative interpretation of the "Importation of Animals Act, 1922."

VI. IMPERIAL POLICY WITH REGARD TO FORESTRY

The resolutions of the Empire Forestry Conference (Canada, 1923) were recommended to the various Governments of the Empire.

VII. WORKMEN'S COMPENSATION

The opinion was expressed that British subjects entitled to compensation benefit should not be deprived of it simply because they had moved to another part of the Empire. Such restrictions would discourage movement within the Empire. A similar view was expressed with regard to claims in respect of accidents to seamen. As regards foreign countries, it was suggested that the Governments of the Empire should in workmen's compensation legislation consider the possibility of reciprocity.

VIII. IMPERIAL ECONOMIC COMMITTEE

It was decided to adopt the following resolution:—"That in the opinion of this Imperial Economic Conference (Canada dissenting):—

(1) "It is desirable to establish an Imperial Economic Committee, comprising representatives of the Governments represented in the Imperial Conference, and responsible to those Governments.

(2) "The function of the Committee should be to consider and advise upon any matters of an economic or commercial character, not

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being matters appropriate to be dealt with by the Imperial Shipping Committee, which are referred to it by any of the constituent Governments, provided that no question which has any reference to another part of the Empire may be referred to the Committee without the consent of that other part of the Empire."

It was further decided that in the constitution of the proposed Imperial Economic Committee representation should be allotted to the various constituent Governments as follows :—

Great Britain	..	..	..	..	4 members
Dominions	..	..	..	..	2 members each
India	..	..	..	..	2 members
Colonies and Protectorates	..			..	2 members.



